

Market Feasibility Analysis Holly Ridge Apartments

Atlanta, Fulton County, Georgia

**To be developed by:
Holly Ridge Apartments Limited Partnership**

**Prepared for
The Georgia Department of Community Affairs**

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I. Executive Summary

Proposed Site Location

- The existing rental community is located between Hollywood Road and James Jackson Parkway approximately one half of one mile south of Bolton Road. The site is bordered by an existing rental community to the south, a church and elementary school to the north, Hollywood Road to the east, and the Butler Street YMCA and James Jackson Parkway to the west.
- The existing community is currently only accessible via Hollywood Road. There is an entrance via Jackson Parkway near the Butler Street YMCA that will be opened post renovation. James Jackson Parkway benefits from much more appealing surroundings than does Hollywood Road.
- Hollywood Road is home to several low income rental communities and low income single family homes, while Jackson Parkway is less densely populated and benefits from new construction of both for-sale townhomes and a new rental community just south of the site. The changes to ingress and egress to the property will compliment the building and site renovations to totally revamp Holly Ridge Apartments

Proposed Unit Mix and Rent Schedule

- The proposed unit mix will include one bedroom, two bedroom, and three bedroom units reserved for tenants earning no more than 30 percent, 50 percent and 60 percent of the Area Median Income. There will also be a market rate component price similarly to the 60 percent units.
- One, two and three bedroom units are common in the primary market area's existing stock. The proposed floorplans will appeal to a large range of household sizes from single renters to large families.

- The proposed tax credit rents are position toward the bottom of the range of net rents for the 30 and 50 percent units. The 60 percent tax credit units and the market rate units are priced in the upper middle of the range. These proposed rents are reasonable and justified given the attractive location and product to be constructed.

Proposed Amenities

- Holly Ridge will include a fully equipped kitchen with a stove, refrigerator, a dishwasher, a garbage disposal, and a pantry. Common area amenities include a community building, two playgrounds, multiple picnic areas, and an exercise room.
- The proposed unit and common area amenities are very competitive with the existing rental stock. The majority of existing communities offer few if any common area amenities.

Demographic Analysis

- According to 2000 Census data, the proposed development is compatible with the demographic composition of the primary market area.
- The marriage rate, persons per household and existence of children in a large percentage of the households in the primary market area indicate the need for larger rental units.

Affordability Analysis

- Based on household income distributions produced by Claritas, 50.5 percent of the households in the primary market area earn less than the maximum income limit for the three bedroom units at 60 percent of the AMI.
- When a minimum income limit is introduced, 30.44 percent earn below the maximum income limit and above the minimum income limit. This minimum income limit will apply to those householders without Section 8 voucher rental assistance.
- Based on the 2004 household estimate of 31,834 for the primary market area, there are 10,165 households with incomes below the maximum

income limit and 6,115 of these households also earn more than the minimum income limit.

Demand and Capture Rates

- Using the methodology stipulated by DCA, we find that there will be 3,838 renter households as a result renter households living in substandard conditions, rent over burdened households, and renter household growth between 2002 and 2004.
- By applying the income qualification percentages discussed earlier to this demand number, we calculate that there is demand for 1,595 additional tax credit units addressing the income target market in the primary market area.
- This demand estimate results in a tax credit capture rate of 10.8 percent with a minimum income limit and 6.4 percent without a minimum income limit. Based on the product to be constructed and the proposed location, these capture rates are considered achievable. The capture rate for the 44 market rate units is 2.0 percent.
- These capture rates assume that all units must be lease post renovation, however it is anticipated that no more than 50 percent of the units will become vacant prior to renovations being completed. As a result, the functional capture rates for Holly Ridge are less than half those presented.

Final Conclusion

- As the proposed development is a renovation of an existing apartment community, only the units currently vacant plus those expected to become vacant as a result of the renovation process will need to be leased. The balance of the units will be occupied by current residents of the community. According to information presented by the developer on DCA's Core Application, 197 of the 216 units are currently occupied. It is assumed that no more than 50 percent of the total units will become vacant during the renovation process. This 50 percent is inclusive of those units currently vacant. It is anticipated that Holly Ridge will have to lease no more that 108

of its units post renovation. The community should be able to regain 95 percent occupancy within five to six months.

- The assumption of 50 percent vacant is higher than one would normally make during a renovation process due to the fact that an existing HAP contract at Holly Ridge was recently terminated. The management company expects to evict a large percentage of current residents.
- Based the data presented in this report, we find that Holly Ridge passes the market study test as proposed.

II. Project Description

Holly Ridge is an existing 216-unit apartment community located at 1620 Hollywood Road in southwest Fulton County. The project will be rehabilitated with the majority of the units at Holly Ridge benefiting from Low Income Housing Tax Credits. Forty-four or approximately 20 percent of the units will be market rate and will not offer any rental assistance. None of the units will offer additional subsidies through project based rental assistance. The proposed unit breakdown and income targeting for the rehabilitated Holly Ridge is shown in the following table.

Table 1 - Proposed Unit Mix, Holly Ridge

AMI Level	Bedrooms	Bulding Type	Units	Avg. Size	Net Rent	Rent/Sq Ft
30%	1	Garden	6	627	\$272	\$0.43
30%	2	Garden	5	755	\$318	\$0.42
30%	3	Garden	5	952	\$356	\$0.37
50%	1	Garden	33	627	\$409	\$0.65
50%	2	Garden	33	755	\$502	\$0.66
50%	3	Garden	32	952	\$601	\$0.63
60%	1	Garden	19	627	\$422	\$0.67
60%	2	Garden	19	755	\$526	\$0.70
60%	3	Garden	20	952	\$627	\$0.66
80%	1	Garden	14	627	\$422	\$0.67
80%	2	Garden	15	755	\$526	\$0.70
80%	3	Garden	15	952	\$622	\$0.65
Total/Avg.			216	778	\$500	\$0.64

All of the units at Holly Ridge will be located in three-story garden style buildings. An additional non-residential building will house on-site management offices and community amenities/services.

Common area amenities of Holly Ridge will include on-site laundry facilities, two equipped recreation areas, a covered pavilion with picnic and barbeque facilities, an exercise/fitness center, a second equipped picnic area, a computer room and a large covered patio at the community building. Holly Ridge will have perimeter fencing for security purposes.

Unit specific amenities will include a patio or balcony, a fully-equipped kitchen with a refrigerator, an oven/range with exhaust hood, a dishwasher, and a garbage disposal, washer/dryer connections and central heat and air.

Community services to be offered at Holly Ridge will include bi-monthly crime prevention seminars, quarterly public safety seminars, quarterly drug awareness training, bi-annual auto theft seminars, bi-annual con-artist recognition seminars, homeownership counseling, financial counseling, resident activities, health seminars and transportation services.

III. Site Evaluation

A. Site Description

The existing Holly Ridge community is located between Hollywood Road and James Jackson Parkway approximately one half of one mile south of Bolton Road. The site is bordered by an existing rental community to the south, a church and elementary school to the north, Hollywood Road to the east, and the Butler Street YMCA and James Jackson Parkway to the west.

The existing community is currently only accessible via Hollywood Road. An entrance at James Jackson Parkway near the Butler Street YMCA will be opened post renovation. James Jackson Parkway offers a more appealing surroundings than does Hollywood Road. Hollywood Road is home to several low income rental communities and low income single family homes, while Jackson Parkway is less densely populated and benefits from new construction of both for-sale townhomes and a new rental community just south of the site. The changes to ingress and egress to the property will compliment the building and site renovations to totally revamp Holly Ridge Apartments.

Holly Ridge currently shows severe signs of deferred maintenance. The exteriors of the buildings show signs of neglect and disrepair. Minimal landscaping is visible along the entrance to the site and within the interior of the community. According to plans provided by the developer, the renovation of Holly Ridge will include:

- Rehabilitated exterior wall faces with greater than 40 percent brick.
- Exterior of buildings will have varied roof profiles with cross gables. Balconies will have decorative vinyl railings. Accent gables will be added.
- All entries and stairs will be covered and building main entries will be delineated with gables.

- Upgraded landscaping will include preservation of existing mature trees and the introduction of large trees, berms, decorative fencing, lighting, sodded lawns, and seasonal plantings.
- Interior renovations will include new kitchen appliances, new flooring, fresh paint, exterior doors, and repairs to current problems with each unit.

In its current condition, Holly Ridge Apartments has a negative impact on the surrounding neighborhood. The condition of the buildings and the existing tenant base has resulted in an environment conducive to crime. As a result of the continued decline of the community, the management company has recently terminated the property's HAP contract and has begun evictions of much of the current tenant base. This action has resulted in the assumption that up to 50 percent of the units at Holly Ridge may become vacant prior to the end of the renovation process. Managers of nearby rental communities confirmed that Holly Ridge Apartments was a major problem in the area in terms of crime.

B. Surrounding Land Uses

The existing community is compatible with surrounding land uses. The majority of the development along Hollywood Road is either multi-family or low to moderate income single family developments. The majority of the existing rental communities within one mile of the proposed site are similar in terms of age, however the degree of disrepair is not as advanced. The majority of the development in this area is of older construction and shows signs of deferred maintenance. There has been a limited amount of renovation over the past few years in the market area.

Additional development along Hollywood Road includes smaller retail establishments. The majority of the retail establishments within one mile of the proposed site are located along Bolton Road to the north and Highway 78 (Bankhead Highway) to the south. The site is located just north of the Hollywood Cemetery.

Development along James Jackson Parkway is less dense and better maintained. New development south of the proposed site include Jackson Trace townhomes, which are selling from \$130,000 and The Peak of West Atlanta rental

community, which is in the final stages of construction. James Jackson Parkway is a four lane thoroughfare which is fronted by several undeveloped wooded, sites.

C. Site Photos

Figure 1 - Site Location Photos



Holly Ridge entrance on Hollywood Road



View of existing building



View of existing building.



Existing building.



Entrance from YMCA, currently closed.



Butler Street YMCA



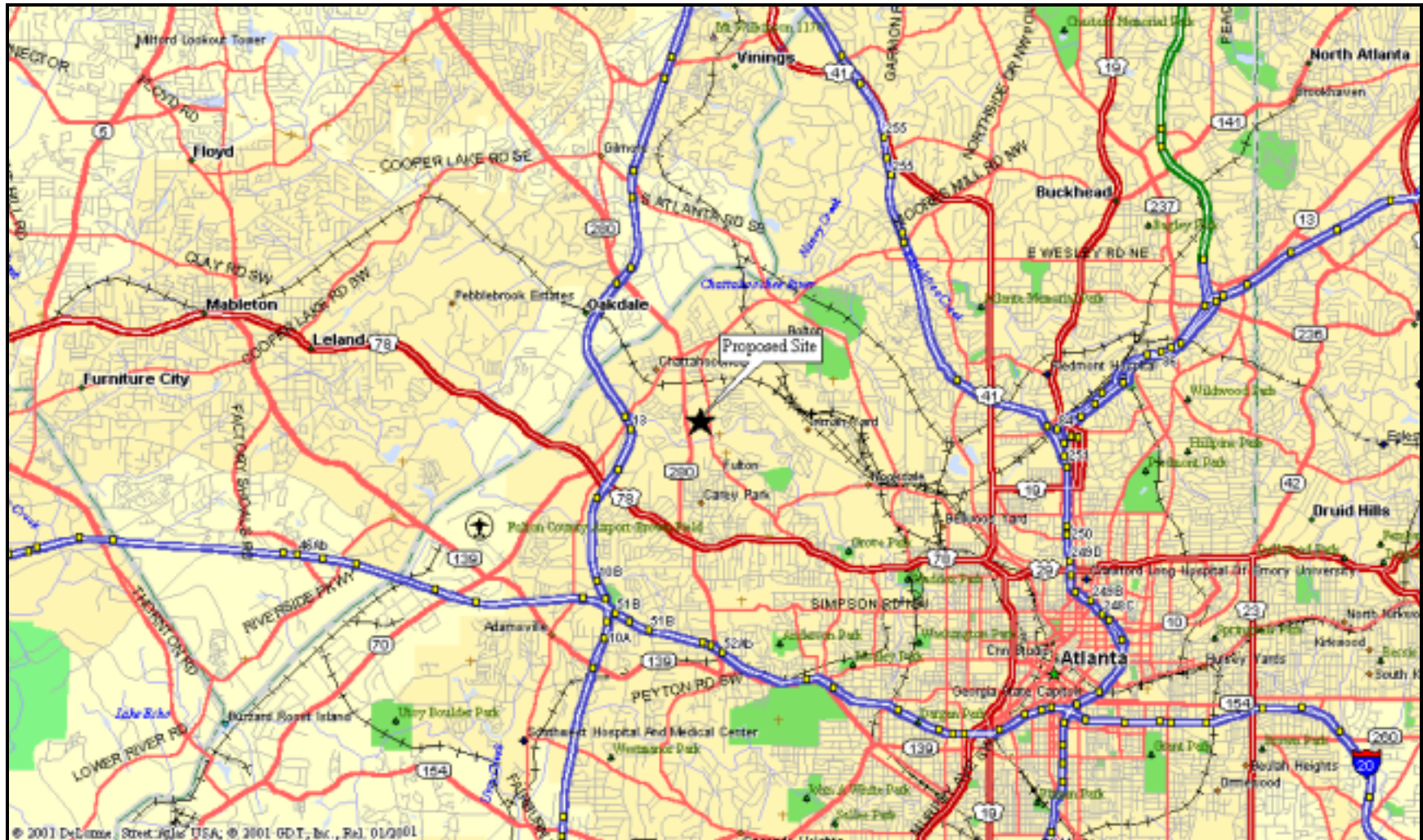
James Jackson Parkway looking south from proposed entrance



Jackson Trace Townhomes, under constructions south of site.

D. Location Maps

Map 1 - Site Location, Holly Ridge



Map 2 - Neighborhood Amenities, Holly Ridge

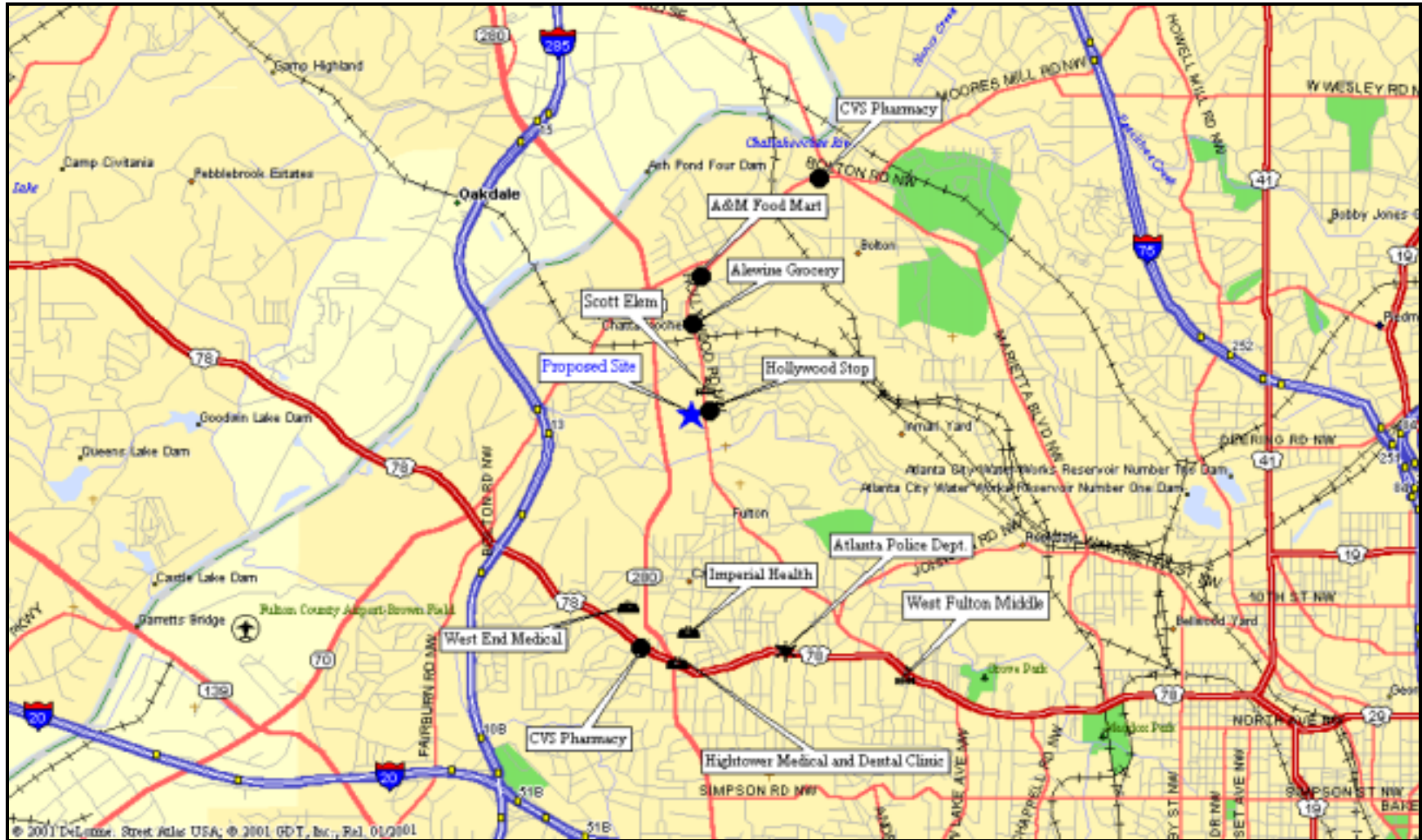


Table 2 - Neighborhood Amenities, Holly Ridge

Establishment	Type	Address	Distance
Hollywood Stop	Grocer/Market	2840 Arno Drive NW	0.1 Mile
William J. Scott Elementary	Public School	1065 Wilkes Circle NW	0.2 Mile
Bojangles	Fast Food	1813 Hollywood Rd NW	0.3 Mile
Hollywood Plaza Grill	Restaurant	1831 Hollywood Rd NW	0.4 Mile
Alewine Grocery	Grocer/Market	1913 Hollywood Rd NW	0.5 Mile
A&M Food Mart	Grocer/Market	2057 Hollywood Rd NW	0.6 Mile
CVS Pharmacy	Drug Store	2561 Bolton Road NW	0.7 Miles
Dollar General	General Merch.	1100 N 5 th Ave	0.9 Mile
West End Medical	Medical Clinic	950 Wilkes Circle NW	1.3 Miles
West Fulton Middle	Public School	1890 Bankhead Hwy NW	1.3 Miles
Imperial Health Care	Medical Clinic	3181 Bankhead Hwy NW	1.4 Miles
CVS Pharmacy	Drug Store	2750 Bankhead Hwy NW	1.5 Miles
Hightower Medical and Dental	Medical Clinic	2645 Bankhead Hwy NW	1.6 Miles
Atlanta Police Dept.	Police	2315 Bankhead Hwy NW	1.6 Miles
Mays High School	Public School	3450 Benjamin E Mays Dr SW	4.1 Miles
Piedmont Hospital	Hospital	1968 Peachtree Rd NW	4.5 Miles

The majority of the neighborhood amenities near the proposed site are located along Hollywood Road, Bolton Road to the north, and Bankhead Highway (Hwy 78) to the south.

E. Neighborhood Amenities

Retail/Restaurants

The proposed site for Holly Ridge is within one mile of several retail establishments. The majority of these establishments are located along Hollywood Road, Bolton Road to the north, or Bankhead Highway to the south.

Retail establishments located within walking distance of the site are smaller markets located along Hollywood Road both north and south of the proposed site. There are also several restaurants located within one mile of the proposed site along Hollywood Road.

Larger stores are located along Bankhead Highway and Bolton Road including Dollar General and two CVS Pharmacies.



Hollywood Stop Market within walking distance of the proposed site.

Education

The Atlanta Public School (APS) System has an active enrollment of 58,000 students, attending a total of 97 schools: 69 elementary (K-5), two of which operate on a year-round calendar while 41 offer extended-day programs; 17 middle (6-8); and 11 high (9-12). The school system also supports five alternative schools for middle and/or high school students, two community schools, and an adult learning center.

APS schools are organized into eleven vertical K-12 clusters, composed of one high school and its feeder elementary and middle schools. Each of the alternative schools relates to a high school, while the community schools and adult learning center are extensions of regular high school programs.

The closest public schools to the proposed site include William J Scott Elementary School (0.2 mile), West Fulton Middle School (1.3 miles), and Mays High School (4.1 miles). In terms of test results, Scott Elementary ranks 33rd out of 68 elementary schools, West Fulton Middle ranks 13th out of 15 schools, and Mays High ranks 1st out of 13 high school (Table 3).

The Atlanta Metro area is home to many institutions of higher learning including both public and private colleges and universities. The establishments include Georgia Tech, Atlanta Metropolitan College, Georgia Military College, Carter Theological Institute, Atlanta Christian College, Morehouse College, Atlanta University, Clark College, Spellman College, and Phillips School of Theology.



West Fulton Middle School

Table 3 - School Performance Assessment Tests, Results on School Basis

Elementary Schools

Rank	School Name	3rd Grade						5th Grade						Total
		Read	Math	Language	Science	SS	Composite	Read	Math	Language	Science	SS	Composite	
1	Smith Elementary School	88	86	88	78	83	84	88	83	87	85	80	84	84.0
2	Brandon Elementary School	89	76	90	86	88	83	88	85	85	85	75	82	82.5
3	Morningside Elementary School	85	76	85	83	84	80	86	81	82	85	82	81	80.5
4	Jackson Elementary School	90	84	89	84	86	85	78	78	81	69	70	75	80.0
5	Lin Elementary School	57	53	58	57	57	55	73	63	69	69	69	67	61.0
6	Cascade Elementary School	56	59	72	63	55	59	54	66	62	53	66	62	60.5
7	Rivers Elementary School	43	50	57	47	44	49	57	61	66	58	62	61	55.0
8	Bethune Elementary School	66	77	54	39	43	63	39	53	53	26	47	44	53.5
9	Centennial Place Elementary School	46	46	49	44	47	48	64	52	58	45	49	54	51.0
10	Venetian Hills Elementary School	60	54	51	49	67	59	39	41	44	31	42	40	49.5
11	Garden Hills Elementary School	61	63	62	63	66	61	35	38	43	34	41	37	49.0
12	Beecher Hills Elementary School	55	60	49	38	45	52	51	63	42	30	40	46	49.0
13	Woodson Elementary School	27	30	28	34	36	37	57	54	61	53	76	60	48.5
14	Peyton Forest Elementary School	37	37	52	36	47	43	44	55	61	38	47	52	47.5
15	F. L. Stanton Elementary School	40	43	45	44	58	49	47	54	43	37	46	46	47.5
16	M. A. Jones Elementary School	33	45	44	33	36	41	53	59	44	58	61	53	47.0
17	West Manor Elementary School	45	41	54	48	54	49	40	41	41	40	52	43	46.0
18	West Elementary School	57	43	63	55	47	52	35	46	49	28	36	39	45.5
19	Burgess Elementary School	41	36	43	41	43	43	39	50	59	35	48	47	45.0
20	Slaton Elementary School	23	37	42	33	40	34	42	65	63	55	51	54	44.0
21	Adamsville Elementary School	30	38	45	38	49	39	56	44	49	32	51	48	43.5
22	Grove Park Elementary School	44	39	50	49	60	53	28	26	26	18	36	30	41.5
23	Miles Elementary School	30	47	41	34	41	40	41	37	48	31	46	42	41.0
24	Fain Elementary School	28	40	40	36	41	42	31	33	36	20	39	36	39.0
25	Humphries Elementary School	24	28	37	33	35	35	41	36	54	33	54	43	39.0
26	Continental Colony Elementary School	31	35	45	36	34	39	32	46	38	26	38	38	38.5
27	White Elementary School	39	39	45	44	50	44	37	30	32	24	29	33	38.5
28	C. W. Hill Elementary School	31	50	36	26	30	40	35	38	41	25	30	36	38.0
29	Fickett Elementary School	29	32	35	29	33	34	37	40	44	31	41	40	37.0
30	Oglethorpe Elementary School	33	28	43	33	34	37	32	42	44	22	46	37	37.0
31	Dobbs Elementary School	21	25	26	18	18	25	28	35	45	54	67	47	36.0
32	Cleveland Elementary School	25	36	38	26	29	33	30	36	46	39	33	38	35.5
33	Scott Elementary School	22	20	29	27	33	28	34	40	50	30	54	42	35.0
34	Gideons Elementary School	18	22	22	20	19	23	47	44	33	41	45	45	34.0
35	Collier Heights Elementary School	33	29	36	33	32	38	24	25	26	19	32	28	33.0
36	Boyd Elementary School	19	25	25	21	26	24	36	42	48	29	49	41	32.5
37	Kimberly Elementary School	23	26	32	25	27	27	32	38	38	28	41	38	32.5
38	Mitchell Elementary School	25	34	40	37	32	35	24	29	30	37	37	30	32.5
39	Peterson Elementary School	20	26	30	28	29	29	28	34	38	24	31	34	31.5
40	Capitol View Elementary School	17	37	24	27	25	28	32	37	35	21	36	34	31.0
41	Hubert Elementary School	23	27	28	20	25	27	32	38	46	22	31	34	30.5
42	Charles R. Drew Charter School	22	20	31	21	21	26	34	30	44	20	28	34	30.0
43	Thomasville Heights Elementary School	27	33	27	20	22	28	20	33	32	30	42	32	30.0
44	McGill Elementary School	23	39	35	22	24	31	21	34	30	16	26	28	29.5
45	Pitts Elementary School	19	35	32	25	31	30	23	32	30	20	36	29	29.5
46	Benteen Elementary School	22	27	30	24	23	28	22	29	38	28	35	31	29.5
47	Blalock Elementary School	22	24	26	19	24	25	29	27	40	18	27	32	28.5
48	East Lake Elementary School	18	21	24	21	23	23	24	37	37	25	41	33	28.0
49	Howell Elementary School	18	15	17	19	16	20	35	29	36	26	37	35	27.5
50	Perkerson Elementary School	18	19	23	23	32	25	30	24	34	20	31	29	27.0
51	Hutchinson Elementary School	22	19	27	21	27	26	23	25	33	22	26	28	27.0
52	Rusk Elementary School	13	24	21	21	20	24	29	25	33	22	27	30	27.0
53	Whiteford Elementary School	22	26	31	20	23	28	21	22	27	18	25	24	26.0
54	Cook Elementary School	21	30	23	19	21	26	20	26	34	18	33	26	26.0
55	Toomer Elementary School	15	23	29	16	18	23	22	33	33	19	32	29	26.0
56	Hope Elementary School	18	14	22	19	21	21	26	32	27	25	32	30	25.5
57	Lakewood Elementary School	15	17	16	18	23	21	26	31	22	19	29	30	25.5
58	Williams Elementary School	14	20	21	17	20	23	27	27	17	14	26	27	25.0
59	Towns Elementary School	16	21	27	20	19	22	25	28	30	16	32	27	24.5
60	Slater Elementary School	16	28	26	22	19	24	18	28	24	18	20	23	23.5
61	Connally Elementary School	13	18	23	15	20	20	22	27	28	18	32	26	23.0
62	Ragsdale Elementary School	13	13	19	13	14	17	25	26	36	20	30	29	23.0
63	D. H. Stanton Elementary School	13	14	18	20	25	20	19	19	25	15	26	24	22.0
64	Waters Elementary School	12	14	17	14	16	18	18	22	27	16	25	23	20.5
65	Guice Elementary School	16	18	19	17	17	21	16	14	21	14	24	19	20.0
66	Anderson Park Elementary School	13	12	17	13	17	17	16	19	20	15	27	21	19.0
67	Herndon Elementary School	9	11	13	12	15	15	18	16	26	13	23	21	18.0
68	Dunbar Elementary School	11	11	14	12	19	15	11	16	19	12	22	17	16.0

COUNTY TOTALS

31.3	34.5	37.5	32.3	35.3	36.2	36.0	39.3	41.8	31.4	41.2	39.1	37.7
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Source: Georgia State Department of Education
Compiled by Real Property Research Group, Inc.

Middle Schools

8th Grade							
Rank	School Name	Reading	Math	Language	Science	SS	Composite
1	Inman Middle School	78	74	84	74	76	77
2	Sutton Middle School	58	46	61	54	52	57
3	Bunche Middle School	42	37	49	36	42	43
4	Young Middle School	41	34	44	30	35	39
5	Walden Middle School	35	27	44	26	29	37
6	Usher Middle School	26	27	33	24	30	30
7	Coan Middle School	26	29	32	23	24	30
8	Long Middle School	24	27	29	22	30	29
9	Sylvan Hills Middle School	30	23	32	19	28	28
10	Turner Middle School	26	24	26	21	24	26
11	King Middle School	26	20	29	22	29	26
12	Price Middle School	21	17	28	17	23	22
13	West Fulton Middle School	19	18	22	14	21	21
14	Kennedy Middle School	18	13	26	16	21	21
15	Parks Middle School	18	15	22	16	22	19

COUNTY TOTALS

32.5	28.7	37.4	27.6	32.4	33.7
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High Schools

11th Grade							
Rank	School Name	Language	Math	Science	SS	Composite	HSGT Writing Test
1	Mays High School	99	97	81	94	78	94
2	Grady High School	99	92	74	86	73	92
3	North Atlanta High School	95	94	74	85	70	92
4	Douglass High School	91	83	60	73	55	90
5	Southside High School	91	84	45	70	42	84
6	South Atlanta High School	89	85	55	64	40	78
7	Harper/Archer High School	81	80	41	67	38	80
8	Washington High School	88	84	43	57	37	90
9	Therrell High School	92	81	39	62	35	80
10	Crim High School	86	77	39	50	32	86
11	Crim Evening Classes	92	100	36	100	30	
12	Washington Evening High School	72	78	38	43	29	82
13	Carver High School	82	67	30	43	24	68

COUNTY TOTALS

89.0	84.8	50.4	68.8	44.8	84.7
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Source: Georgia State Department of Education
Compiled by Real Property Research Group, Inc.

Medical

The closest major medical center to the proposed site is Piedmont Hospital, which offers a variety of medical care including 24 hour emergency medicine and general practice. The health centers within the hospital's system include children's health, men's health, women's health, and senior's health. Piedmont Hospital is located approximately four and one half miles from the proposed site. Additional hospitals and medical center located within the same approximate distance include Southwest Hospital and Medical Center, the Shepard Center, Ridgeview Institute, Emory-Adventist Hospital, Georgia Baptist, and Crawford Long Hospital.

In addition to this major medical center, there are several smaller clinics and independent physicians located within one mile of the site location. Clinic within approximately one and one half miles of the site include West End Medical Center, Imperial Health Care Center, First Stop Systems of Georgia, and Hightower Medical and Dental Clinic.

Transportation

Fulton County and the Atlanta metropolitan area are served by Interstates 20, 75, 85 and 285. Interstate 285, which forms a loop around downtown Atlanta, is approximately one mile west of the site. Interstates 75 and 85 are located to the east within approximately 3 and 4 miles respectively. Interstate 20 is located approximately three miles south of the proposed site. These interstates provide access to the entire metropolitan Atlanta area, the state of Georgia and bordering states. Large state and U.S. Highways in the area include Highways 78, 278, 70, 41, and 29.

Metro Atlanta's rail and transit system, MARTA, connects southern Fulton County with much of the Atlanta region through its bus and train network. There are several bus routes that run near the site. The closest MARTA bus stops are located on Hollywood Road and James Jackson Parkway within walking distance of the site, virtually at the property entrance.

F. Overall Site Conclusion

The proposed site is located in an older, established area of southwest Fulton County. The site is compatible with existing land uses and is located conveniently to community shopping, services, and transportation arteries.

There has been little new construction of rental housing in the immediate area of the past fifteen to twenty years. Given the age, condition and quality of the rental housing in the area, the market area lends itself more to rehabilitated projects than new construction. The proposed development and site rehabilitation will be well received.

There are no apparent disadvantages to the proposed development. In fact, the only major detriment to the immediate area is the existing community itself. The renovation of this existing community will not only provide higher quality rental housing for future tenants, but also may prove to be an impetus for further redevelopment in the area.

IV. Market Area

A. Market Area Definition

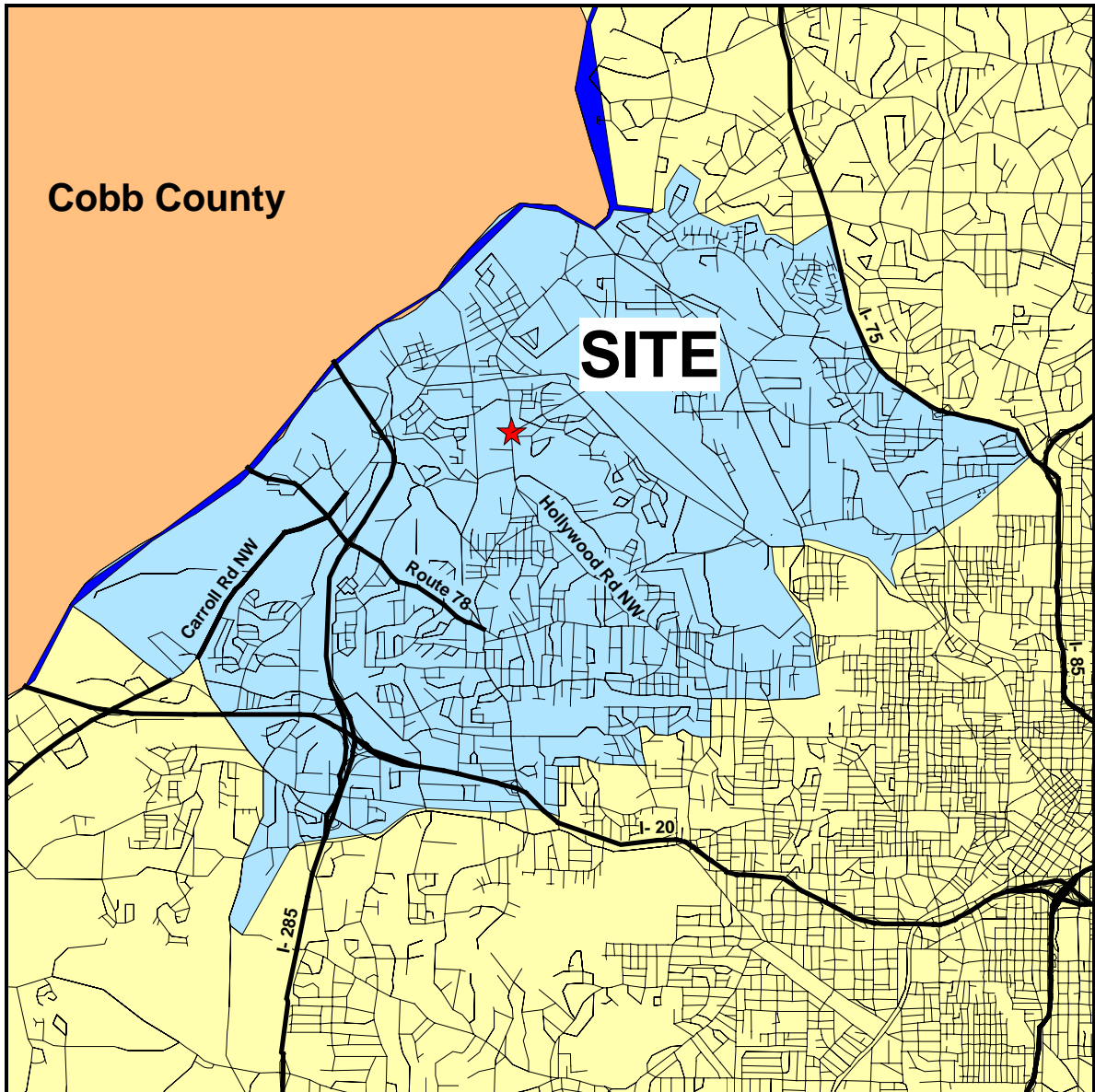
The primary market area for Holly Ridge consists of the census tracts located in southwest Fulton County. The basic borders of this market area are Cobb County to the north, Interstate 75 to the east, MLK Jr. Drive/Interstate 20 to the south, and Cobb County to the west. All of the census tracts included in the market area are located within Fulton County.

This market area was determined based on conversations with local property managers, local housing officials and on-site analysis. The composition and housing stock is fairly consistent throughout the primary market area. There are no natural or social boundaries that would hinder the movement of renters throughout this market.

The approximate distance to the borders of this primary market area are 1.9 miles to the north, 3.2 miles to the east, 3.0 miles to the south, and 1.9 miles to the east. The primary market area includes year 2000 census tracts 0089.01, 0088, 0087.02, 0089.02, 0087.01, 0086.02, 0086.01, 0082.02, 0085, 0082.01, 0078.07, and 0083.01.

B. Map of Market Area

Map 3 - Primary Market Area

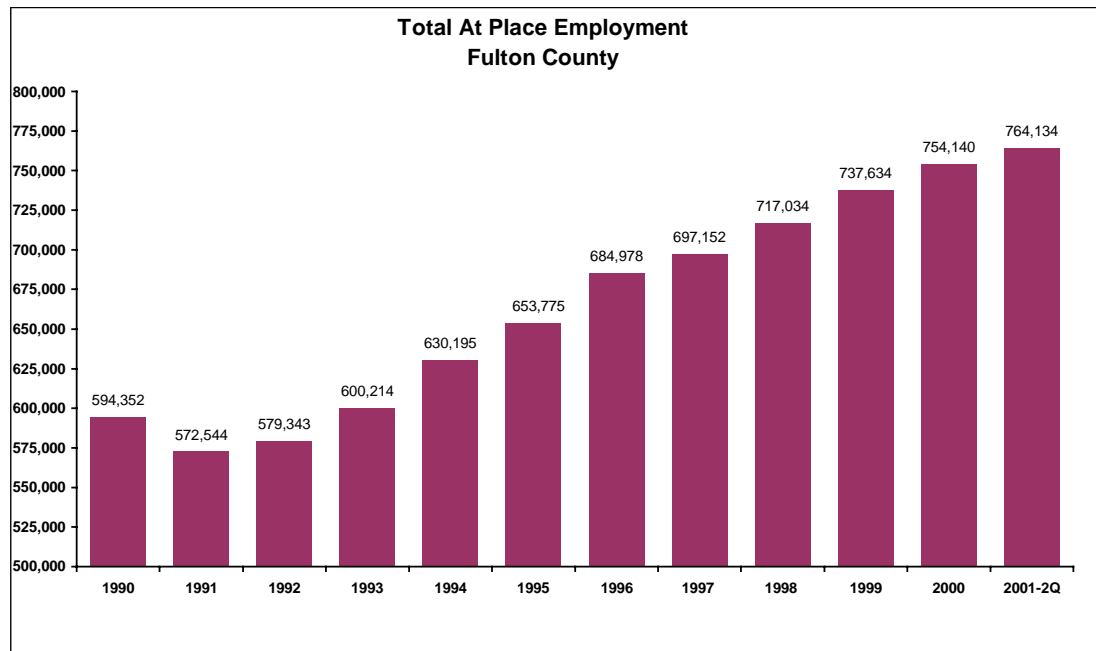


V. Market Area Economy

A. At Place Employment and Employment by Sector

Total at place employment has increased steadily over the past decade (Figure 2). In 2000, employment in Fulton County had reached 754,140, as job growth averaged nearly 16,000 jobs annually during the decade. Overall, the county experienced a net increase of over 159,788 jobs since 1990. Total at-place employment decreased between 1990 and 1991, however has increased each year since. This continued growth has been steady with larger than average increases experienced between 1993 and 1994 and between 1995 and 1996. The growth has been moderate of the past three years. Initial figures indicate that total at-place employment has increased by an additional 9,994 jobs or 1.3 percent over the first two quarters of 2002. On a percentage basis, job growth in Fulton County has been higher than national employment growth over the last five years of the previous decade (Figure 3).

Figure 2 - At Place Employment, Fulton County, Georgia

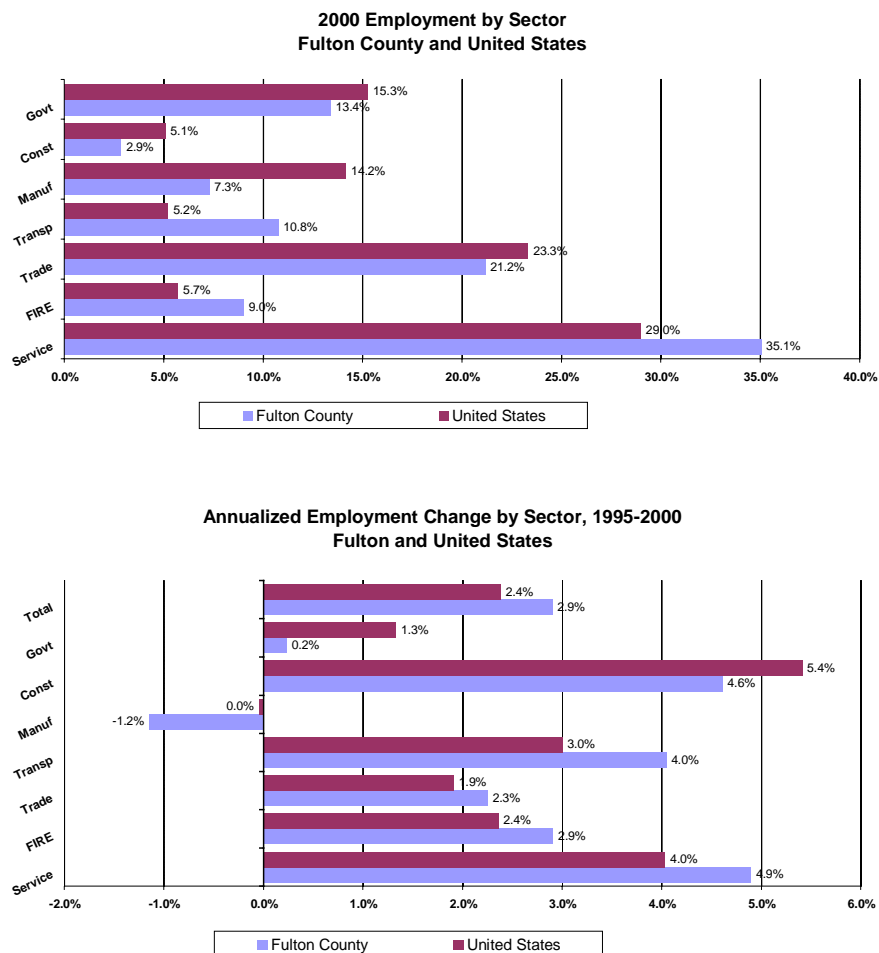


Source: Georgia Department of Labor,
of Labor Statistics, Covered Employment and Wages (ES 202)

Bureau

At place employment figures indicate that the service sector of employment growth is fueling Fulton County's economy. The service sector had the fastest rate of growth of any sector since 1995 (4.9 percent annualized growth) and the largest share of any employment sector at 35.1 percent (Figure 3). The transportation (4.0 percent) and construction (4.6 percent) sectors also experienced above average growth, however accounted for only 10.8 percent and 2.9 percent of total employment respectively. Major employers in Atlanta and Fulton County represent a wide range of products and/or services including telecommunications, manufacturing, service, and healthcare (Table 4).

Figure 3 - Total Employment and Employment Change by Sector, Fulton County



Source: Georgia Department of Labor,
Bureau of Labor Statistics, Covered Employment and Wages (ES 202)

B. Major Employers

The majority of the major employers in the “Atlanta” area of Fulton County are located in and around downtown within approximately five miles of the proposed site. An additional large concentration of Fulton County’s major employers are located in the Buckhead area of the city, which is located northeast of downtown along Georgia 400. These employers are located approximately 10 miles from the proposed site and are an unlikely employment option for residents of southwest Fulton County. A large employment concentration near southern Fulton County is Atlanta Hartsfield Airport, just inside the Clayton County border. Although not in the county, many of the residents of the primary market area are likely employed in or near the airport. The following table lists the largest employers in Fulton County and the region in which they are located. These employers represent several fields including utilities, food products, airlines, technology, transportation and retail/wholesale trade.

Table 4 - Largest Employers in Fulton County

Employer	Location
American Software, Inc	Buckhead
BellSouth Corporation	Atlanta
Blue Cross Blue Shield of GA	Buckhead
Buckhead Life Restaurant Group	Buckhead
Coca-Cola Company, The	Atlanta
Columbia West Paces Medical Center	Buckhead
Cox Enterprises, Inc.	Atlanta
Delta Airlines, Inc.	Atlanta
Genuine Parts Company	Atlanta
Georgia Pacific Corporation	Atlanta
Home Depot, Inc.	Atlanta
IBM Corporation	Buckhead
MARTA	Buckhead
Piedmont Hospital	Buckhead
Rich's	Buckhead
Ritz Carleton Buckhead	Buckhead
Southern Company, The	Atlanta
Turner Broadcasting Company	Atlanta
United Parcel Service	Atlanta

Source: Atlanta Homes Real Estate and Relocation Services

C. Labor Force and Unemployment

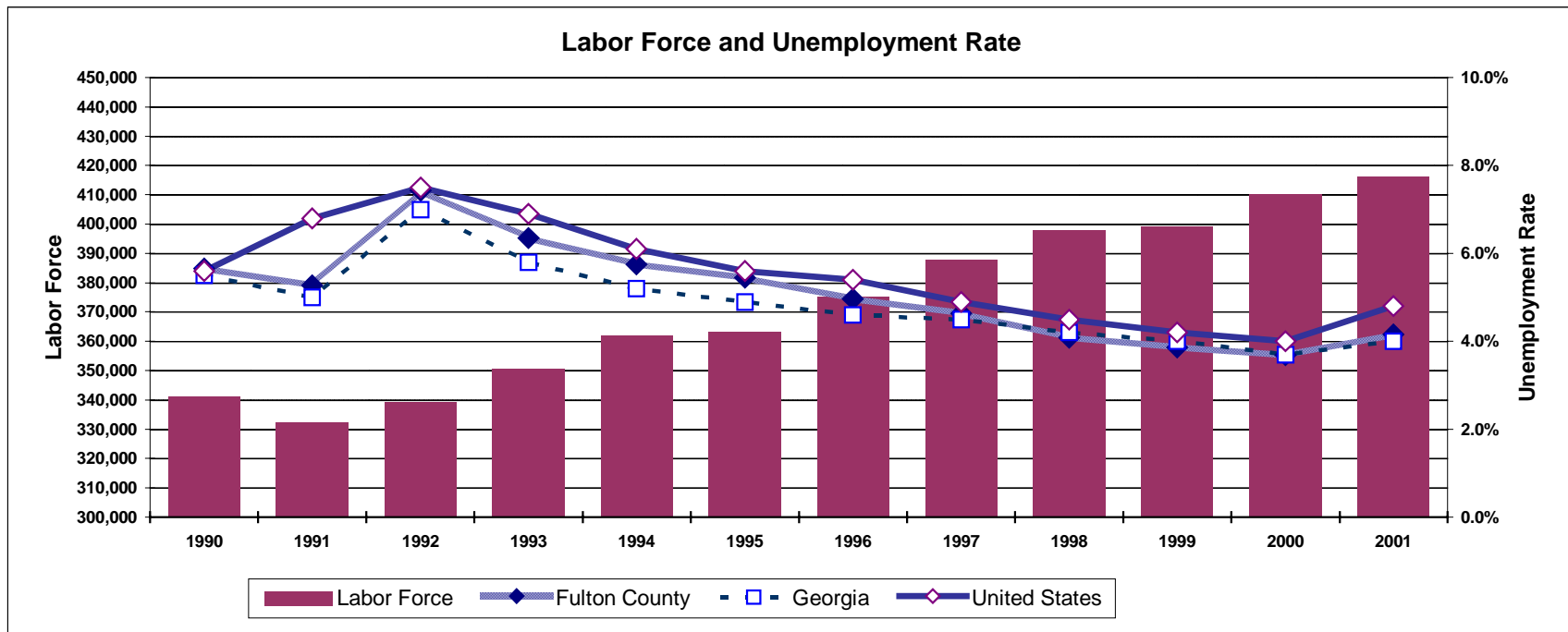
Fulton County's labor force has increased by 75,165 or 22.04 percent over the past 11 years. After an initial decline between 1990 and 1991, the labor force has continually grown since 1991. The growth has been fairly consistent and even with lower than average growth between 1994 and 1995 and between 1998 and 1999. The 2001 labor force is 1.4 percent higher than the 2000 year end total (Table 5).

The unemployment rate in Fulton County has consistently declined over the past decade with only two years experiencing an increase. The high point of the decade in terms of unemployment rate occurred in 1992 with 7.4 percent of the workforce unemployed. Eight consecutive years of decline resulted in the decade's lowest level of unemployment at 3.7 percent. Unemployment data for 2001 shows that Fulton County's unemployment rate increased 0.4 percentage points over the past year. This is slightly higher than the increase experience by the state of Georgia (0.3 percentage points), but lower than and The United States (0.8 percentage points). It appears that Fulton County's unemployment has been impacted commensurate with the state's economy and to a lesser degree than the nation's.

Table 5 - Labor Force and Unemployment Rates, Fulton County, Georgia

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Labor Force	341,032	332,290	339,219	350,687	361,995	363,188	375,196	387,623	397,813	399,063	410,281	416,197
Employment	321,756	314,774	314,004	328,405	341,172	343,427	356,549	369,672	381,566	383,640	395,164	398,925
Unemployment	19,276	17,516	25,215	22,282	20,823	19,761	18,647	17,951	16,247	15,423	15,117	17,272
Unemployment Rate												
Fulton County	5.7%	5.3%	7.4%	6.4%	5.8%	5.4%	5.0%	4.6%	4.1%	3.9%	3.7%	4.1%
Georgia	5.5%	5.0%	7.0%	5.8%	5.2%	4.9%	4.6%	4.5%	4.2%	4.0%	3.7%	4.0%
United States	5.6%	6.8%	7.5%	6.9%	6.1%	5.6%	5.4%	4.9%	4.5%	4.2%	4.0%	4.8%

Source: Georgia Department of Labor, Licensing and Regulation



VI. Community Demographic Data

A. Population and Household Trends

Historic growth rates for the primary market area and Fulton County are based on 1990 and 2000 Census counts. Projections are based on Claritas Data Services, Inc. growth rates for both geographies applied to the base 2000 Census data and compared to county wide population estimated developed by the Georgia State Data and Research Center. This approach is more conservative than using the more aggressive estimates made by Claritas before the release of the 2000 Census data.

Fulton County has experienced steady growth over the past decade. Fulton County's 2000 population represents an increase of 167,055 persons or 25.7 percent from 1990. The primary market area experienced a net loss in population of 3,777 or 6.8 percent between the two census counts. (Table 6). Based on the estimates made, the county and PMA populations are expected to grow by an additional 6.2 and 0.3 percent respectively from 2000 to 2004.

Based on 1990 and 2000 Census data, the PMA lost 1,265 households, while the entire county increased by a total of 64,102 households. The PMA's growth equates to an average annual decrease of 127 households or -0.6 percent, while the county increased at an annual rate of 2.3 percent.

Projections show that the PMA's household count is expected to increase by an additional 322 or 0.4 percent between 2000 and 2004. The county's rate of household growth is projected at 8.1 percent or 26,062 households during the same four year time period.

The growth rate in the primary market area is understandably lower than the county's growth due to the densely populated nature of the region. The proposed site is located in a more developed area between downtown and I-285 on the west side of the metropolitan Atlanta area. A large percentage of the county's growth has occurred in the northern suburbs along Georgia 400 including Sandy Springs, Roswell and Alpharetta.

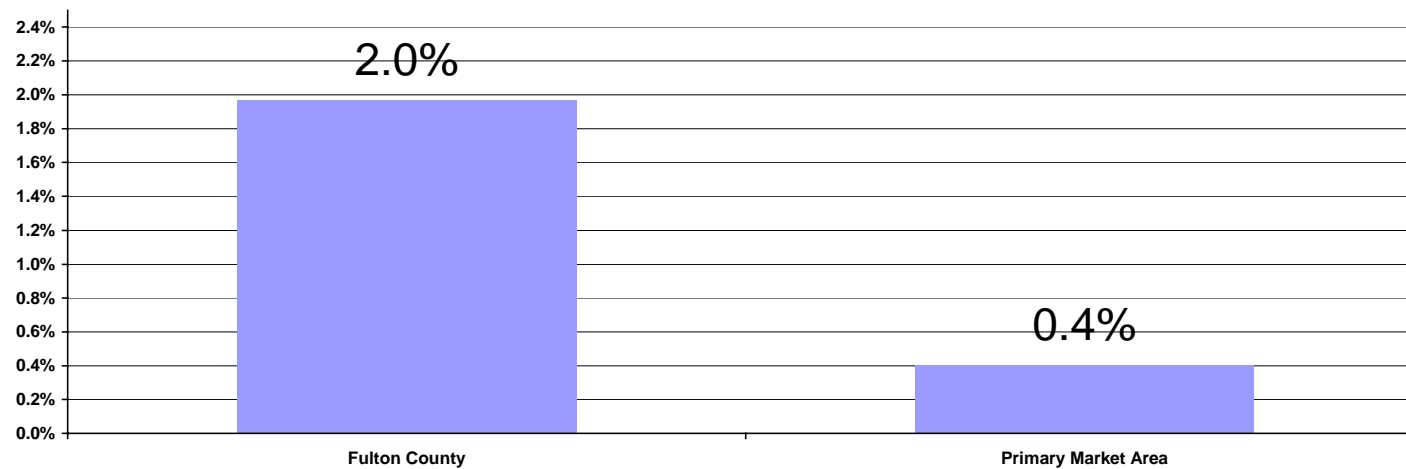
Table 6 - Trends in Population and Households, PMA and Fulton County

Fulton County	Change 1990 to 2000								Change 2000 to 2002				Change 2000 to 2004			
					Total		Annual		Total		Annual		Total		Annual	
	1990	2000	2002	2004	#	%	#	%	#	%	#	%	#	%	#	%
Population	648,951	816,006	840,962	866,682	167,055	25.7%	16,706	2.3%	24,956	3.1%	12,478	1.5%	50,676	6.2%	25,338	1.5%
Households	257,140	321,242	336,581	347,304	64,102	24.9%	6,410	2.3%	15,339	4.8%	7,670	2.4%	26,062	8.1%	13,031	2.0%

The Primary Market Area	Change 1990 to 2000								Change 2000 to 2002				Change 2000 to 2004			
					Total		Annual		Total		Annual		Total		Annual	
	1990	2000	2002	2004	#	%	#	%	#	%	#	%	#	%	#	%
Population	55,163	51,386	51,678	51,972	-3,777	-6.8%	-378	-0.7%	292	0.6%	146	0.3%	586	1.1%	293	0.3%
Households	21,030	19,765	19,925	20,087	-1,265	-6.0%	-127	-0.6%	160	0.8%	80	0.4%	322	1.6%	161	0.4%

Source: Projections, Real Property Research Group, Inc.
note: annual change is compounded rate

Annual Household Growth Rate 2000-2004

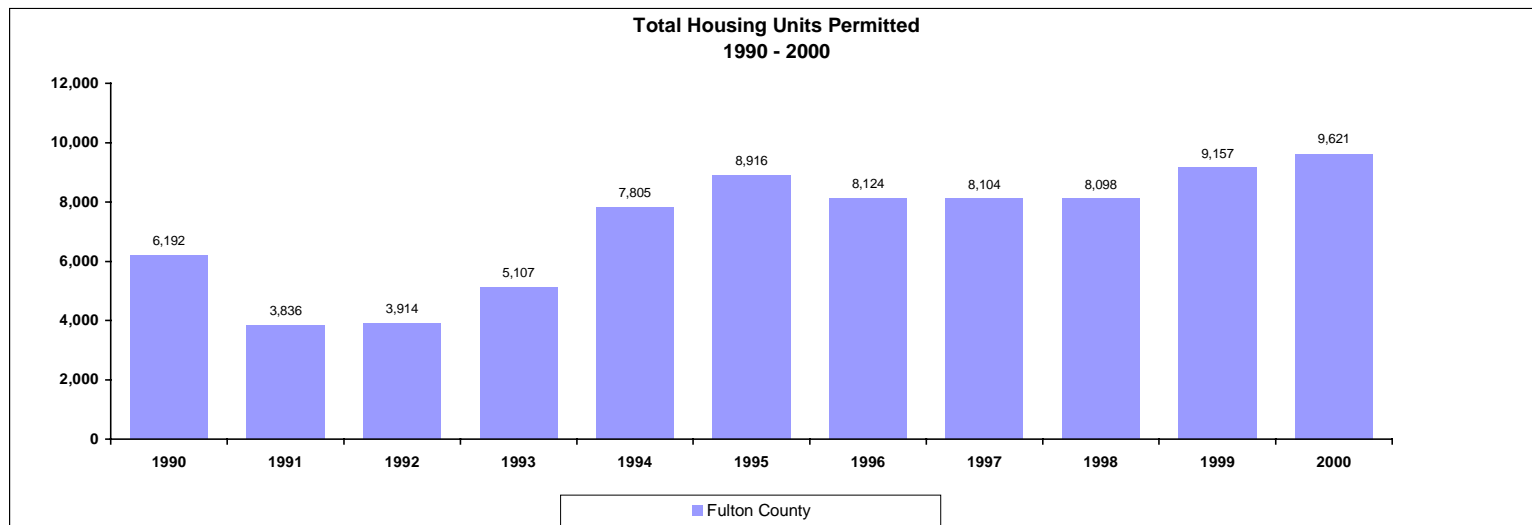


B. Recent Building Permit Activity

Average annual permit activity in the county over the last decade was 7,170 units, higher than the average household growth of 6,410 (Table 7). According to the annual average of the past decade, 44.7 percent of the building permits have been multifamily. According to 2000 Census data, 48.0 percent of the householders in the county are renters.

Table 7 - Fulton County Building Permits, 1990 - 2000

Fulton County												
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	1990-2000
Single Family	3,174	3,392	3,743	4,137	3,980	3,801	3,654	4,435	5,011	4,791	3,446	40,390
Two Family	44	44	46	22	16	24	30	24	30	72	56	364
3 - 4 Family	7	0	4	8	46	7	14	7	64	59	152	361
5 or more Family	2,967	400	121	940	3,763	5,084	4,426	3,638	2,993	4,235	5,967	31,567
Total	6,192	3,836	3,914	5,107	7,805	8,916	8,124	8,104	8,098	9,157	9,621	72,682
												7,170



C. Demographic Characteristics

With the recent release of 2000 Census data, we can look at demographic characteristics of the census tracts in the primary market area and Fulton County.

A review of the population by age bracket in the PMA versus Fulton County (Table 8) shows that the two areas have noticeable differences in terms of age of population. The primary market area has a much higher proportion of its residents under the age of 25 and over the age of 59. The primary market area has 40.6 percent of its population under age 25 and 14.1 percent age 60 and older compared to 34.7 percent and 11.4 percent respectively for Fulton County. Fulton County has a much higher concentration between the ages of 25 and 59 years with 53.2 percent, while the PMA has only 45.3 percent in this age group.

In terms of household types (Table 9), Fulton County has a much higher percentage of married households (37.3 versus 22.8 percent). Despite the much lower marriage rate, the primary market area has a higher rate of children present, 32.8 percent versus 26.8 percent. This is due primarily to single female householders with children. Fulton County has a higher proportion of householders living alone (Table 8). Overall, it appears that Fulton County is comprised of older, married householders with children. The primary market area has more residents in the younger age groups with a much lower marriage but more children in single parent households.

Table 8 - 2000 Age Distribution

	Fulton County		The Primary Market Area	
	#	%	#	%
Under 10 years	114,948	14.1%	8,627	16.8%
10-17 years	84,342	10.3%	5,917	11.5%
18-24 years	89,602	11.0%	6,321	12.3%
25-34 years	151,534	18.6%	8,872	17.3%
35-44 years	137,850	16.9%	7,163	13.9%
45-54 years	109,132	13.4%	5,357	10.4%
55-59 years	35,031	4.3%	1,879	3.7%
60-64 years	24,577	3.0%	1,783	3.5%
65-69 years	19,125	2.3%	1,663	3.2%
70-74 years	16,634	2.0%	1,459	2.8%
75 and older	33,231	4.1%	2,345	4.6%
TOTAL	816,006	100.0%	51,386	100.0%

Source: U.S. Census of Population and Housing, 2000

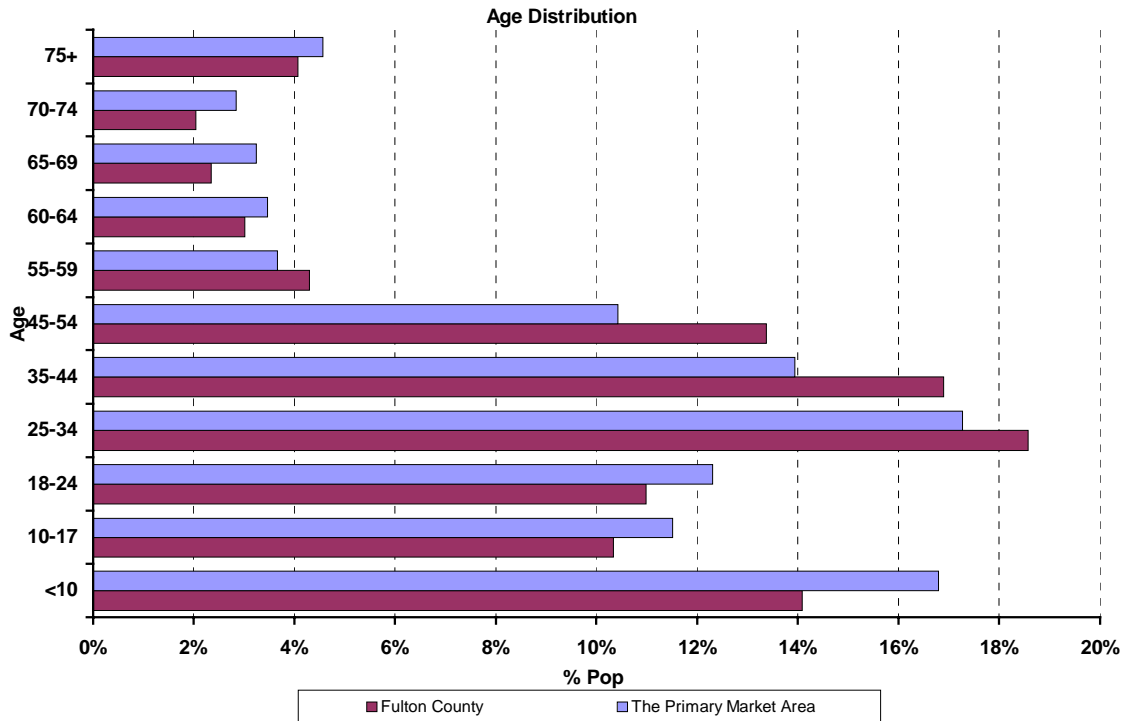
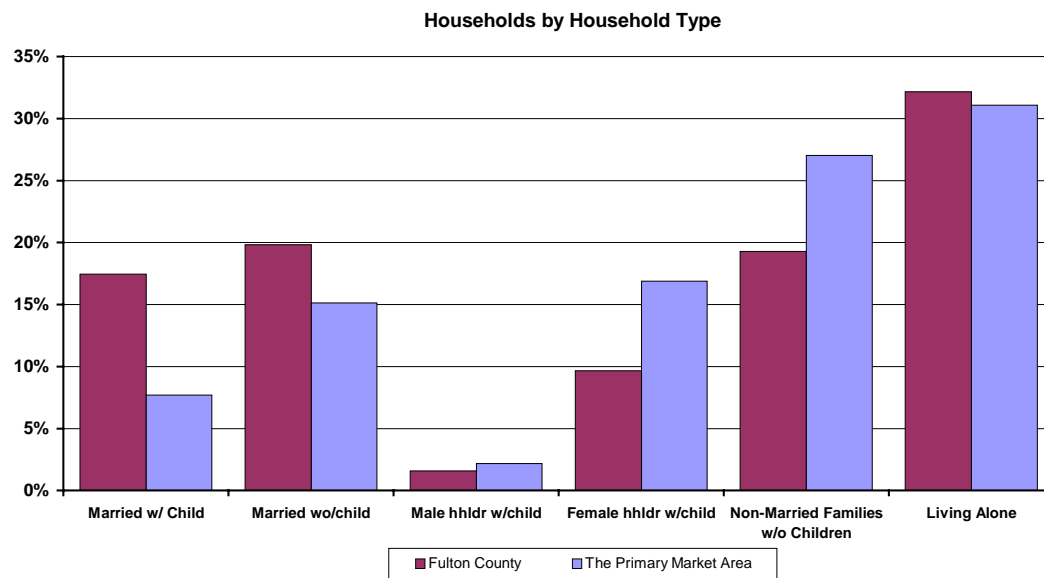


Table 9 - 2000 Households by Household Type

	Fulton County		The Primary Market Area	
	#	%	#	%
Married w/ Child	56,059	17.5%	1,524	7.7%
Married wo/child	63,655	19.8%	2,990	15.1%
Male hhldr w/child	5,088	1.6%	425	2.2%
Female hhldr w/child	31,109	9.7%	3,336	16.9%
Non-Married Families w/o Children	61,939	19.3%	5,343	27.0%
Living Alone	103,392	32.2%	6,147	31.1%
Total	321,242	100.0%	19,765	100.0%

Source: U.S. Census of Population and Housing, 2000

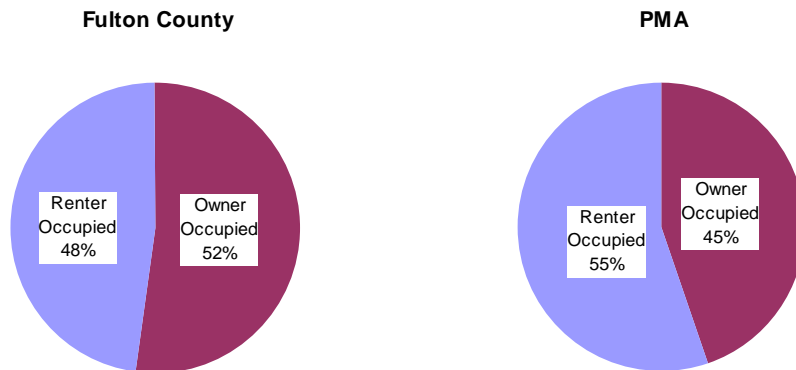


The majority of the householders in the primary market area are renters, however a majority of Fulton County's householders are owners. In 2000, 55.3 percent of the householders in the PMA were renters (Table 10). In comparison, only 48 percent of Fulton County householders rented. Homeownership increased by 0.8 percent over the past ten years in the market area, while homeownership increased by 2.5 percent in the county.

Table 10 - 1990 & 2000 Dwelling Units by Occupancy Status

	Fulton County		PMA	
1990 Households	#	%	#	%
Owner Occupied	127,318	49.5%	9,234	43.9%
Renter Occupied	129,822	50.5%	11,796	56.1%
Total Occupied	257,140	100.0%	21,030	100.0%

	Fulton County		PMA	
2000 Households	#	%	#	%
Owner Occupied	167,119	52.0%	8,843	44.7%
Renter Occupied	154,123	48.0%	10,922	55.3%
Total Occupied	321,242	100.0%	19,765	100.0%

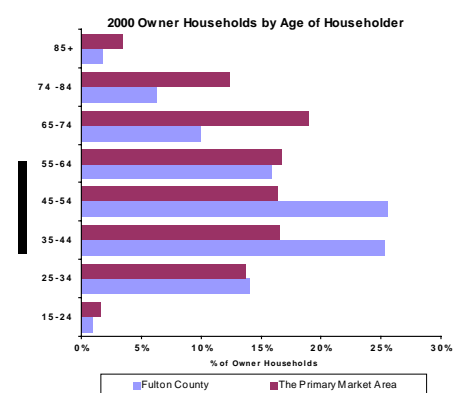
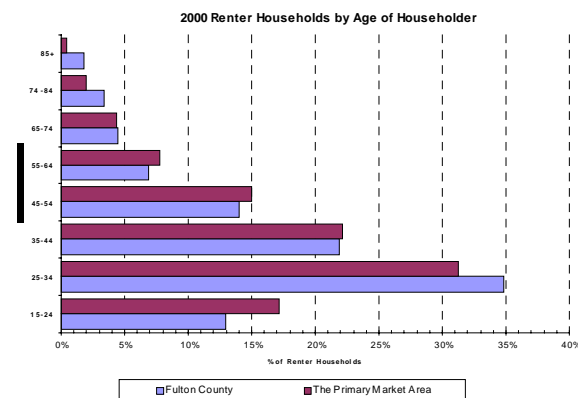


A higher proportion of Fulton County's household owners are young to middle age (25-54). The primary market has a large percentage under age 24 and in all income groups beginning with age 55 (Table 11). The age of renter householders is fairly similar, with Fulton County having almost 35 percent of its renter householders between the ages of 25 and 34 years. As with the owner householders, the PMA has a larger percentage in the youngest age group. The PMA also has a larger percentage between the ages of 35 and 64. Fulton County has a greater occurrence of renters age 65 and older.

Table 11 - 2000 Households by Tenure & Age of Householder

Owner Households		Fulton County		The Primary Market Area	
Age of HHldr		#	%	#	%
15-24 years		1,652	1.0%	145	1.6%
25-34 years		23,500	14.1%	1,212	13.7%
35-44 years		42,413	25.4%	1,464	16.6%
45-54 years		42,705	25.6%	1,450	16.4%
55-64 years		26,645	15.9%	1,483	16.8%
65-74 years		16,590	9.9%	1,681	19.0%
75 to 84 years		10,607	6.3%	1,096	12.4%
85+ years		3,007	1.8%	312	3.5%
Total		167,119	100%	8,843	100%

Renter Households		Fulton County		The Primary Market Area	
Age of HHldr		#	%	#	%
15-24 years		19,921	12.9%	1,871	17.1%
25-34 years		53,604	34.8%	3,409	31.2%
35-44 years		33,748	21.9%	2,414	22.1%
45-54 years		21,607	14.0%	1,643	15.0%
55-64 years		10,538	6.8%	850	7.8%
65-74 years		6,822	4.4%	473	4.3%
75 to 84 years		5,187	3.4%	210	1.9%
85+ years		2,696	1.7%	52	0.5%
Total		154,123	100%	10,922	100%



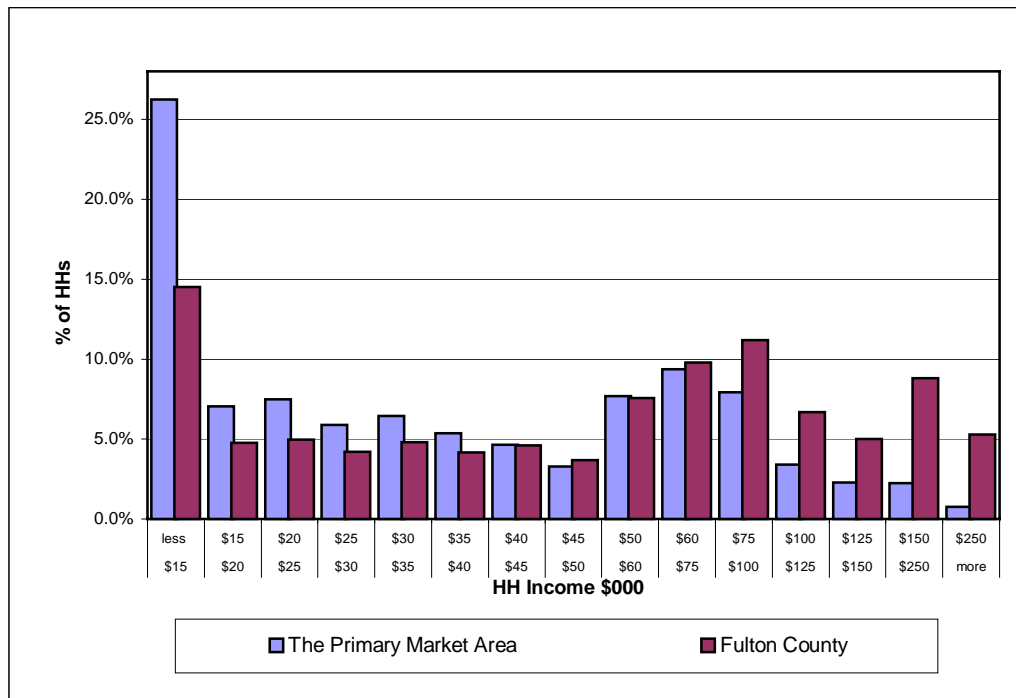
D. Income Characteristics

Claritas Data Services, Inc. estimates the 2001 median household income for Fulton County to be \$55,189 (Table 12). The median household income in the primary market area is \$32,141, which is approximately 58 percent of the county median.

As to be expected with a significantly lower household median income, the primary market area has a greater percentage of its households in each income bracket below \$40,000. Fulton County has a greater percentage in all income classifications above \$60,000. The income distribution in Table 12 shows the percentage of households in each income segment for the primary market area and Fulton County. More than 25 percent of households in the primary market area have incomes between \$20,000 and \$40,000, the income bands that are traditionally addressed by tax credit communities.

Table 12 - 2001 Household Income Distribution, PMA and Fulton County

The Primary Market Area				Fulton County	
less than \$15,000	\$15,000	5,205	26.2%	47,340	14.5%
\$15,000	\$19,999	1,399	7.1%	15,564	4.8%
\$20,000	\$24,999	1,488	7.5%	16,165	5.0%
\$25,000	\$29,999	1,164	5.9%	13,655	4.2%
\$30,000	\$34,999	1,281	6.5%	15,607	4.8%
\$35,000	\$39,999	1,061	5.3%	13,637	4.2%
\$40,000	\$44,999	918	4.6%	15,005	4.6%
\$45,000	\$49,999	652	3.3%	12,049	3.7%
\$50,000	\$59,999	1,523	7.7%	24,642	7.6%
\$60,000	\$74,999	1,859	9.4%	32,013	9.8%
\$75,000	\$99,999	1,571	7.9%	36,531	11.2%
\$100,000	\$124,999	678	3.4%	21,792	6.7%
\$125,000	\$149,999	449	2.3%	16,379	5.0%
\$150,000	\$249,999	444	2.2%	28,688	8.8%
\$250,000	over	152	0.8%	17,253	5.3%
		19,845	100.0%	326,319	100.0%
Median Income		\$32,141		\$55,189	



VII. Project Specific Demand Analysis

A. Proposed Unit Mix and Income Limits

The following table shows the floorplans to be offered at Holly Ridge. Tax credit units are all those targeting renters earning no more than 60 percent of the Area Median Income. Any proposed market rate units will be noted as targeting 80 percent of the AMI. The “Minimum Income” column was calculated assuming that tenants will pay no more than 35 percent of their income for total housing cost for family units and no more than 40 percent for elderly units. The “Maximum Income” limit was calculated using the 2002 HUD Income Limit of \$71,200 for the Atlanta MSA, in which the project is located.

According to the 2002 Qualified Allocation Plan, maximum allowable project rents in the Atlanta MSA must be calculated using 54 percent of the Area Median Income, adjusted for household size. However, tenant eligibility for the units priced at 54 percent of the median is based on 60 percent of the AMI. The “maximum income” and “maximum gross rent” columns in the table below are based on 60 percent of the AMI, however the “planned gross rent” is based on 54 percent.

Table 13 - Project Specific LIHTC Rent Limits, Atlanta MSA

Maximum % of AMI	Number of Units	Bedrooms	Planned Net Rent	Utility Allowance	Planned Gross Rent	Maximum Gross Rent	Maximum Income	Minimum Income
30%	6	1	\$272	\$102	\$374	\$401	\$16,020	\$12,823
30%	5	2	\$318	\$131	\$449	\$481	\$19,230	\$15,394
30%	5	3	\$356	\$163	\$519	\$555	\$22,215	\$17,794
50%	33	1	\$409	\$102	\$511	\$668	\$26,700	\$17,520
50%	33	2	\$502	\$131	\$633	\$801	\$32,050	\$21,703
50%	32	3	\$601	\$163	\$764	\$926	\$37,025	\$26,194
60%	19	1	\$422	\$102	\$524	\$801	\$32,040	\$17,966
60%	19	2	\$526	\$131	\$657	\$962	\$38,460	\$22,526
60%	20	3	\$627	\$163	\$790	\$1,111	\$44,430	\$27,086
80%	14	1	\$422	\$102	\$524	\$1,068	\$42,720	\$17,966
80%	15	2	\$526	\$131	\$657	\$1,282	\$51,280	\$22,526
80%	15	3	\$622	\$163	\$785	\$1,481	\$59,240	\$26,914

B. Affordability Analysis

The following affordability analysis shows the penetration rate of income eligible households required to lease up the community. (Table 14). This penetration rate should not be confused with the capture rates based on DCA demand components shown in the following section.

- Penetration rates were calculated for all units, by income percentage, and by floorplan. The next several bullets will describe the methodology used to determine the penetration rate, using the first floorplan as an example. The tables on the following pages show the penetration rates for all floorplans.
- Using a 35 percent underwriting criteria, we determined that the average proposed 30 percent gross rent for a one bedroom unit (\$374) would be affordable to households earning a minimum of \$12,823, which includes 16,037 households in the primary market area.
- Based on the 2002 LIHTC income limits for households at 30 percent of median income, the maximum income allowed for a one bedroom unit in this market would be \$16,020. We estimate that 15,179 households within the primary market area have incomes above that maximum.
- Subtracting the 15,179 households with incomes above the maximum income from the 16,037 households that could afford to rent this unit, we compute that 858 households are within the band of being able to afford the proposed rent. The proposed six 30 percent one bedroom units would require a penetration rate of 0.7 percent of all qualified households to lease up all units. Using the same methodology, we determined the band of qualified households for each of the other bedroom types offered in the community.
- Given the income requirements of each unit type and the overlap of income bands, project wide affordability bands were calculated. Looking at all 172 LIHTC units, the project will need to absorb 2.8 percent of 6,115 households that earn between \$12,823 and \$44,429 in the primary market area.
- By subtracting the 9,922 households with income above \$44,429 from the 2004 household estimate (20,087), 10,165 households or 50.5 percent of all households earn below the maximum income limit for the tax credit units.

- The 6,115 households with incomes above the minimum and below the maximum income limit represent 30.44 percent of the total household count.
- Affordability by floorplan indicates that there is a sufficient number of income qualified households for all floorplans at each income level.
- The penetration rates assume that all units will need to be leased. In fact, it is assumed that no more than 50 percent of the units will become vacant. The functional penetration rates will be much lower than those illustrated in the following tables.

Table 14 - 2004 Affordability Analysis for Holly Ridge.

Gross Capture Rate by Income Group

	<u>Number of Units</u>		<u>Band of Qualified HHs</u>		<u># Qualified HHs</u>		
		<i>Income</i>	\$12,823	\$22,214			
30% Units	16	<i>HHs</i>	16,037	13,540	2,497	0.6%	Penetration Rate
		<i>Income</i>	\$17,520	\$37,024			
50% Units	98	<i>HHs</i>	14,787	9,922	4,865	2.0%	Penetration Rate
		<i>Income</i>	\$17,966	\$44,429			
60% Units	58	<i>HHs</i>	14,671	8,397	6,273	0.9%	Penetration Rate
		<i>Income</i>	\$17,966	\$59,240			
Mkt Units (80%)	44	<i>HHs</i>	14,671	6,294	8,377	0.5%	Penetration Rate
		<i>Income</i>	\$12,823	\$44,429			
All LIHTC UNITS	172	<i>HHs</i>	16,037	9,922	6,115	2.8%	Penetration Rate

Table 15 - 2004 Affordability Analysis for Holly Ridge, by floorplan.

Capture Rate by Unit Type

One Bedroom Units				Two Bedroom Units				Three Bedroom Units			
30% Units	Base Price	Proposed	Maximum	Base Price	Proposed	Maximum		Base Price	Proposed	Maximum	
	Number of Units	6		Number of Units	5			Number of Units	5		
	Net Rent	\$272		Net Rent	\$318			Net Rent	\$356		
	Gross Rent	\$374		Gross Rent	\$449			Gross Rent	\$519		
	% Income for Shelter	35%		% Income for Shelter	35%			% Income for Shelter	35%		
	Income	\$12,823	\$16,020	Income	\$15,394	\$19,224		Income	\$17,794	\$22,214	
	Range of Qualified Hslds	16,037	15,179	Range of Qualified Hslds	15,343	14,342		Band of Qualified Hslds	14,715	13,540	
50% Units	# Qualified Households		858	# Qualified Households		1,001		# Qualified Households		1,175	
	Unit Penetration Rate		0.7%	Unit Penetration Rate		0.5%		Unit Penetration Rate		0.4%	
	Base Price	Proposed	Maximum	Base Price	Proposed	Maximum		Base Price	Proposed	Maximum	
	Number of Units	33		Number of Units	33			Number of Units	32		
	Net Rent	\$409		Net Rent	\$502			Net Rent	\$601		
	Gross Rent	\$511		Gross Rent	\$633			Gross Rent	\$764		
	% Income for Shelter	35%		% Income for Shelter	35%			% Income for Shelter	35%		
60% Units	Income	\$17,520	\$26,700	Income	\$21,703	\$32,040		Income	\$26,194	\$37,024	
	Range of Qualified Hslds	14,787	12,352	Range of Qualified Hslds	13,678	11,029		Band of Qualified Hslds	12,481	9,922	
	# Qualified Households		2,435	# Qualified Households		2,650		# Qualified Households		2,559	
	Unit Penetration Rate		1.4%	Unit Penetration Rate		1.2%		Unit Penetration Rate		1.3%	
	Base Price	Proposed	Maximum	Base Price	Proposed	Maximum		Base Price	Proposed	Maximum	
	Number of Units	19		Number of Units	19			Number of Units	20		
	Net Rent	\$422		Net Rent	\$526			Net Rent	\$627		
Market Rate (80%)	Gross Rent	\$524		Gross Rent	\$657			Gross Rent	\$790		
	% Income for Shelter	35%		% Income for Shelter	35%			% Income for Shelter	35%		
	Income	\$17,966	\$32,040	Income	\$22,526	\$38,448		Income	\$27,086	\$44,429	
	Range of Qualified Hslds	14,671	11,029	Range of Qualified Hslds	13,456	9,634		Band of Qualified Hslds	12,254	8,397	
	# Qualified Households		3,642	# Qualified Households		3,822		# Qualified Households		3,856	
	Unit Penetration Rate		0.5%	Unit Penetration Rate		0.5%		Unit Penetration Rate		0.5%	
	Base Price	Proposed	Maximum	Base Price	Proposed	Maximum		Base Price	Proposed	Maximum	
	Number of Units	14		Number of Units	15			Number of Units	15		
	Net Rent	\$422		Net Rent	\$526			Net Rent	\$622		
	Gross Rent	\$524		Gross Rent	\$657			Gross Rent	\$785		
	% Income for Shelter	35%		% Income for Shelter	35%			% Income for Shelter	35%		
	Income	\$17,966	\$42,720	Income	\$22,526	\$51,280		Income	\$26,914	\$59,240	
	Range of Qualified Hslds	14,671	8,753	Range of Qualified Hslds	13,456	7,407		Band of Qualified Hslds	12,481	6,294	
	# Qualified Households		5,918	# Qualified Households		6,049		# Qualified Households		6,188	
	Unit Penetration Rate		0.2%	Unit Penetration Rate		0.2%		Unit Penetration Rate		0.2%	

C. Demand Estimates and Capture Rates

DCA's demand methodology for general occupancy developments consists of three components. The first is income qualified renter households living in substandard households. "Substandard" is defined as having more than 1.01 persons per room and/or lacking complete plumbing facilities. According to 1990 US Census data, the percentage of households in Atlanta that are "substandard" is 4.38 percent.

The second component of demand is population growth. This number is the number of age and income qualified renter households anticipated to move into the market area within the next two years.

The final component of demand is cost burdened renters, which is defined as those renter households paying more than 35 percent of household income for housing costs. According to 1990 Census data, 38.15 percent of the primary market area's renter households are categorized as cost burdened. This segment of demand is often overstated in urban areas because households are also included in other demand segments and they are all not likely to move. In order to avoid overestimating demand, only 35 percent of the demand from cost burdened households is considered achievable.

Although the proposed development does not offer project based rental subsidies, Section 8 vouchers will be accepted. Given the lack of new and/or attractive affordable housing in the area, many of the units at Holly Ridge are expected to be leased by holders of Section 8 vouchers. The capture rate for the 172 tax credit units at Holly Ridge is 10.8 percent without a minimum income limit and 6.4 percent with a minimum income limit. Using the same methodology, the capture rate for the 22 market rate units is 0.9 percent with a minimum income limit. These capture rates are considered achievable given the state of the existing rental housing market and the conservative market area drawn. Furthermore, as this development is a renovation of an existing community, only the vacant units will need to be leased. It is assumed that no more than 50 percent of the units will need to be leased post renovation.

Table 16 - Overall Tax Credit Demand Estimates, Holly Ridge

<i>For Tax Credit Units</i>		<i>For Tax Credit Units Demand</i>	
<i>Demand From Renters</i>	<i>The Primary</i>	<i>From Renters Earning <</i>	<i>The Primary</i>
<i>Earning < \$44,430</i>	<i>Market Area</i>	<i>\$44,430 and > \$12,823</i>	<i>Market Area</i>
Substandard Households	640	Substandard Households	382
Household Growth	83	Household Growth	49
Cost Burdened	1,950	Cost Burdened	1,164
Total Demand	2,672	Target Segment Demand	1,595
Units in Subject Property	172	Units in Subject Property	172
Capture Rate	6.4%	Target Segment Capture Rate	10.8%

Table 17 - Detailed Tax Credit Demand Estimates, Holly Ridge

Demand for Tax Credit Units from Substandard Households

2004 Households		% Substandard Households		2004 Substandard Households
51,972	times	4.38%	equals	2,276
2004 Substandard Households		% of Renters Per Census		Substandard Renter Households
2,276	times	55%	equals	1,259
Substandard Renter Households		% Earning < \$44,430 & < \$12,823		Substandard Renter Households Earning < \$44,430 & > \$12,823
1,259	times	30.32%	equals	382
Substandard Renter Households		% Earning < \$44,430		Substandard Renter Households Earning < \$44,430
1,259	times	50.80%	equals	640

Demand for Tax Credit Units from Household Growth

2004 Households 51,972	minus	2002 Households 51,678	equals	Population Change 294
Population Change 294	times	% of Renters Per Census 55.30%	equals	Renter Household Change 163
New Renter Households 163	times	% Earning < \$44,430 & < \$12,823 30.32%	equals	New Renter Households Earning < \$44,430 & > \$12,823 49
New Renter Households 163	times	% Earning < \$44,430 50.80%	equals	New Renter Households Earning < \$44,430 83

Demand for Tax Credit Units from Cost Burdened Renters

2004 Households 51,972	times	% of Renters Per Census 55.30%	equals	2004 Renter Households 28,741
2004 Renter Households 28,741	times	% Cost Burdened 38.15%	equals	Cost Burdened Renter Households 10,965
2004 Cost Burdened Renter Households 10,965	times	% Earning < \$44,430 & < \$12,823 30.32%	equals	Cost Burdened Renter Households Earning < \$44,430 & > \$12,823 3,325
2004 Cost Burdened Renter Households 10,965	times	% Earning < \$44,430 50.80%		Cost Burdened Renter Households Earning < \$44,430 5,570

Table 18 - Overall Market Rate Demand Estimates, Holly Ridge

For Conventional Units

Demand From Renters Earning < \$59,240 and > \$17,966 The Primary Market Area

Substandard Households	525
Household Growth	68
Cost Burdened	1,600
Total Demand	2,193
Units in Subject Property	44
Target Segment Capture Rate	2.0%

Table 19 - Detailed Market Rate Demand Estimates, Holly Ridge

Demand for Market Rate Units from Substandard Households

2004 Households		% Substandard Households		2004 Substandard Households
51,972	times	4.38%	equals	2,276
2004 Substandard Households		% of Renters Per Census		Substandard Renter Households
2,276	times	55%	equals	1,259
Substandard Renter Households		% Earning < \$59,240 & < \$17,966		Substandard Renter Households Earning < \$59,240 & > \$17,966
1,259	times	41.70%	equals	525
Substandard Renter Households		% Earning < \$59,240		Substandard Renter Households Earning < \$59,240
1,259	times	68.67%	equals	865

Demand for Market Rate Units from Household Growth

2004 Households		2002 Households		Population Change
51,972	minus	51,678	equals	294
Population Change		% of Renters Per Census		Renter Household Change
294	times	55.30%	equals	163
New Renter Households		% Earning < \$59,240 & < \$17,966		New Renter Households Earning < \$59,240 & > \$17,966
163	times	41.70%	equals	68
New Renter Households		% Earning < \$59,240		New Renter Households Earning < \$59,240
163	times	68.67%	equals	112

Demand for Market Rate Units from Cost Burdened Renters

2004 Households		% of Renters Per Census		2004 Renter Households
51,972	times	55.30%	equals	28,741
2004 Renter Households		% Cost Burdened		Cost Burdened Renter Households
28,741	times	38.15%	equals	10,965
2004 Cost Burdened Renter Households		% Earning < \$59,240 & < \$17,966		Cost Burdened Renter Households Earning < \$59,240 & > \$17,966
10,965	times	41.70%	equals	4,572
2004 Cost Burdened Renter Households		% Earning < \$59,240		Cost Burdened Renter Households Earning < \$59,240
10,965	times	68.67%		7,530

D. Tax Credit Demand Estimates and Capture Rates by Floorplan

Table 20 - Tax Credit Demand Estimates and Capture Rates by Floorplan

	One Bedroom	Two Bedroom	Three Bedroom
Demand from Substandard HH	1,259	1,259	1,259
Demand from New Rental HH	163	163	163
Demand from Cost Burdened Rental HH (35%)	3,838	3,838	3,838
PMA Total Demand	5,260	5,260	5,260
PMA Income Qualified %	18.34%	28.42%	31.45%
PMA Qualified Demand	965	1,495	1,654
Units	58	57	57
Capture Rate	6.0%	3.8%	3.4%

The “PMA Total Demand” figure shown in the table above shows the demand from the three DCA stipulated components without income affordability applied. The percentages of the total households earning within the various floorplan specific income segments are then applied to this total demand number. The capture rates by floorplan indicate that the unit mix is appropriate. These capture rates are in line with the overall capture rate for the tax credit units at Holly Ridge.

E. Absorption Estimate

As the proposed development is a renovation of an existing apartment community, only the units currently vacant plus those expected to become vacant as a result of the renovation process will need to be renovated. According to information presented by the developer on DCA's Core Application, 216 of the 197 units are currently occupied. It is assumed that no more than 50 percent of the total units will become vacant during the renovation process. This 50 percent is inclusive of those units currently vacant. It is anticipated that Holly Ridge will have to lease no more than 108 of its units post renovation. The community should be able to regain 95 percent occupancy within 5 to 6 months.

The Peaks of Atlanta, a mixed income LIHTC development in the final stages of construction, is located approximately one mile south of the proposed site on the James Jackson Parkway. According to the property manager, 36 units were pre-leased by income qualified tenants in ten days. This rapid rate of pre-leasing is an indication of the strong market for high quality rental housing in the primary market area. It is also an indication that the assumed absorption rate for Holly Ridge is reasonable.

VIII. Supply Analysis

A. Area Housing Stock

The rental housing stock as reported in the 1990 Census included a relatively low percentage of single family homes with 14 percent of the county's rental units located in single family detached homes. In the primary market area, 14 percent of the rental units were single family homes. In Fulton County, 9 percent of rental units were in either townhouse or duplex units. Approximately 5 percent of the PMA's rental stock falls into either of these categories.

A sizable percentage of the rental units, 66 percent, in the primary market area had between three and nineteen units. In Fulton County, 56 percent of units were in properties of this size.

Rental communities with twenty or more units accounted for 12 percent of the total rental housing stock in the primary market area and 19 percent in the county. Given the lack of new construction in the market area within the past ten years, it is unlikely that this composition has changed significantly.

In the primary market area, less than 1 percent of the rental units were mobile homes. Fulton County also had less than one percent of its rental housing stock in mobile home units. This low percentage of mobile homes is expected given the densely populated urban nature of the market area and Fulton County.

Table 21 - 1990 Units in Rental Housing

<i>Units in Rental Housing</i>	<i>Fulton County</i>		<i>The Primary Market Area</i>	
Renter 1 unit detached	18,459	14%	1,669	14%
Renter 1 unit attached	4,193	3%	317	3%
Renter 2 units	7,168	6%	293	2%
Renter 3 or 4 units	14,748	11%	1,466	12%
Renter 5 to 9 units	29,633	23%	3,677	31%
Renter 10 to 19 units	28,775	22%	2,737	23%
Renter 20 to 49 units	10,997	8%	818	7%
Renter 50+ units	13,995	11%	612	5%
Renter mobile home	309	0%	46	0%
Renter other	1,545	1%	161	1%

Rental Market

As part of this analysis, Real Property Research Group surveyed 14 rental communities identified within the primary market area. A profile sheet of each community is attached as Appendix 4 - Community Photos and Profiles. The location of each community is shown on Map 4 on the following page.

The 14 rental communities surveyed account for 2,726 dwelling units (Table 22). Eleven properties offer all garden style units, two offer both garden and townhouse units, and one is a high-rise building. The garden style buildings are two to four stories. The majority of the surveyed properties were general occupancy market rate developments. Three of the communities surveyed are operated by the Atlanta Housing Authority.

The multifamily rental stock in the primary market area is fairly old. The average age of the 14 properties surveyed is twenty years. The majority of the communities have not been well maintained and most show moderate to severe signs of deferred maintenance.

Of the 2,726 units in stabilized communities that reported vacancy rates, 128 units were reported available, a rate of 4.70 percent. Five of the communities have a vacancy rate greater than five percent. Two communities have vacancies excessively higher than the remaining communities, one with 52 vacancies or 12.7 percent and the other with 24 vacancies or 8.1 percent vacant. These two communities account for 59 percent of the vacancies, but only 26 percent of the units. The primary market area's rental housing market is stronger than the overall vacancy rate implies as these two poorly maintained communities are having a negative impact on the entire stock. Eight of the 14 communities surveyed have 2.5 percent or less of their units vacant.

Table 22 - Rental Summary

Community	Year Built	Structure Type	Total Units	Vacant Units	Vacancy Rate	(1)	(1)	Incentive
						Average 1BR Rent	Average 2BR Rent	
Willow Trace	1973	Garden&TH	411	52	12.7%	\$570	\$717	None
Hampton Oaks Cooperative	1990	Garden&TH	66	0	0.0%	\$600	\$700	None
Heather Glen	1965	Garden	48	4	8.3%	\$585	\$625	None
Defoors Ferry Manor	1966	Garden	297	24	8.1%		\$615	None
Bolton Place	1954	Garden	358	17	4.7%	\$550	\$600	None
Maple Creek	1962	Garden	168	4	2.4%		\$560	None
Etheridge Ct	1978	Garden	354	0	0.0%	\$475	\$520	None
Rachel Walk	1969	Garden	160	10	6.3%	\$500		None
Hollywood Brooks/Raven Woods	1968	Garden	192	10	5.2%		\$500	None
Waverly Crest	1972	Garden	148	3	2.0%		\$495	None
Hollywood Homes	1976	Garden	202	0	0.0%	\$400	\$450	None
Hollywood West	1968	Garden	80	2	2.5%	\$405	\$448	None
Bowen Homes	1979	Garden	112	2	1.8%		\$350	None
Marietta Road Hi-Rise	1982	High-rise	130	0	0.0%			None
Total/Average	1972		2,726	128	4.70%	\$511	\$548	

(1) Rent is gross rent, and not adjusted for utilities or incentives

Source: Field Survey, Real Property Research Group, Inc. May, 2002.

All of the surveyed communities include the cost of water, sewer, and trash removal (Table 24). None of the existing rental communities include more than these basic utility costs. Rent at Holly Ridge will include only the cost of trash removal. Tenants will be responsible for water and sewage charges.

Dishwashers and garbage disposals are present at 4 and 10 of the properties respectively. Three properties offer both of these kitchen amenities and three offer neither. None of the communities include a microwave oven in each kitchen. Holly Ridge will include both a dishwasher and a garbage disposal in each unit. Among the 14 surveyed properties, none offer more kitchen amenities, 4 offer the same amount, and 10 offer fewer kitchen amenities than proposed at Holly Ridge.

The majority of the properties offer a patio or balcony on most or all units. Twelve of 14 communities offer common laundry areas and two offer no laundry amenities. None of the property managers indicated the presence of washer and dryer connections. Parking is free in surface lots for all communities. Holly Ridge will be competitive with its unit amenities as each unit will include a patio or balcony and washer/dryer connections in all units.

Overall, the number of common area amenities included depends on the size of the community and the rent levels (Table 23). The amount of amenities ranges from

no amenities to extensive amenities. The included amenities are community rooms (three properties), a swimming pool (three property), and a playground (six properties). The majority of the communities offer very few, if any, recreational amenities. Six of the communities surveyed do not offer any common area recreational amenities and another five offer only one amenity. Holly Ridge will offer two playgrounds, a covered pavilion with picnic and barbeque facilities, an exercise room/fitness center, and a community building. The proposed amenities at Holly Ridge will be matched by only one of the existing communities.

Among the 14 properties surveyed, 9 offer one bedroom units, 13 offer two bedroom units, and 9 offer three bedroom units. Holly Ridge will consist of efficiency, one, two and three bedroom units. The proposed unit mix at Holly Ridge is comparable with the existing rental stock and appears to be appropriate.

Street rents were adjusted to reflect inclusions of utilities and incentives. One-bedroom units range from 567 to 686 square feet and have net rents between \$385 and \$595 per month. The average one-bedroom net rent is \$492 per month for 635 square feet or \$0.77 per square foot. Two-bedroom units range from 687 to 1,063 square feet and have net rents between \$340 and \$707 per month. The average two-bedroom net rent is \$534 per month for 820 square feet or \$0.65 per square foot. Three-bedroom units range from 895 to 1,500 square feet and have net rents between \$385 and \$885 per month. The average three-bedroom net rent is \$686 per month for 1,106 square feet or \$0.62 per square foot. The proposed tax credit and market rate rents and rents per square foot at Holly Ridge are lower than the average among existing properties for at all price points. These low, competitive rents at Holly Ridge will be accompanied by newly renovated units, a convenient location, and competitive amenities. The proposed rents at Holly Ridge are appropriate and reasonable.

Table 23 - Recreational Amenities of Communities

APARTMENT	Clubhouse	Pool	Tennis	Playground	Fitness Center	Jacuzzi
Marietta Road Hi-Rise	Yes	No	No	No	No	No
Bowen Homes	No	No	No	Yes	No	No
Hollywood Homes	Yes	No	No	Yes	No	No
Bolton Place	No	Yes	No	Yes	No	No
Defoors Ferry Manor	No	Yes	No	No	No	No
Etheridge Court	No	No	No	Yes	No	No
Hampton Oaks	No	No	No	No	No	No
Heather Glen	No	No	No	No	No	No
Raven Woods	No	No	No	Yes	No	No
Hollywood West	No	No	No	No	No	No
Maple Creek	No	No	No	No	No	No
Rachel Walk	No	No	No	No	No	No
Waverly Crest	No	No	No	No	No	No
Willow Trace	Yes	Yes	No	Yes	No	No

Table 24 - Features of Rental Communities in Primary Market Area

Project	Heat Who Pays? (Landlord or Tenant)					Kitchen		Disposal	Laundry	Parking	Security
	Fuel	Heat	Hot Water	Elec	Water	D/W	Micro				
Marietta Road Hi-Rise	Elec	T	T	T	L			yes	Facility	Surface	
Bowen Homes	Gas	T	T	T	L				Facility	Surface	
Hollywood Homes	Gas	T	L	T	L			yes	Facility	Surface	Guard
Bolton Place	Gas	T	T	T	L	yes		yes	Facility	Surface	
Defoors Ferry Manor	Gas	T	T	T	L	yes		yes	Facility	Surface	Gated
Etheridge Court	Gas	T	T	T	L			yes	Facility	Surface	Gated
Hampton Oaks	Gas	T	T	T	L	yes			Facility	Surface	
Heather Glen	Gas	T	T	T	L				Facility	Surface	
Raven Woods	Gas	T	T	T	L				None	Surface	
Hollywood West	Gas	T	T	T	L			yes	None	Surface	
Maple Creek	Gas	T	T	T	L			yes	Facility	Surface	
Rachel Walk	Gas	T	T	T	L			yes	Facility	Surface	
Waverly Crest	Gas	T	T	T	L			yes	Facility	Surface	
Willow Trace	Gas	T	T	T	L	yes		yes	Facility	Surface	Single Entrance

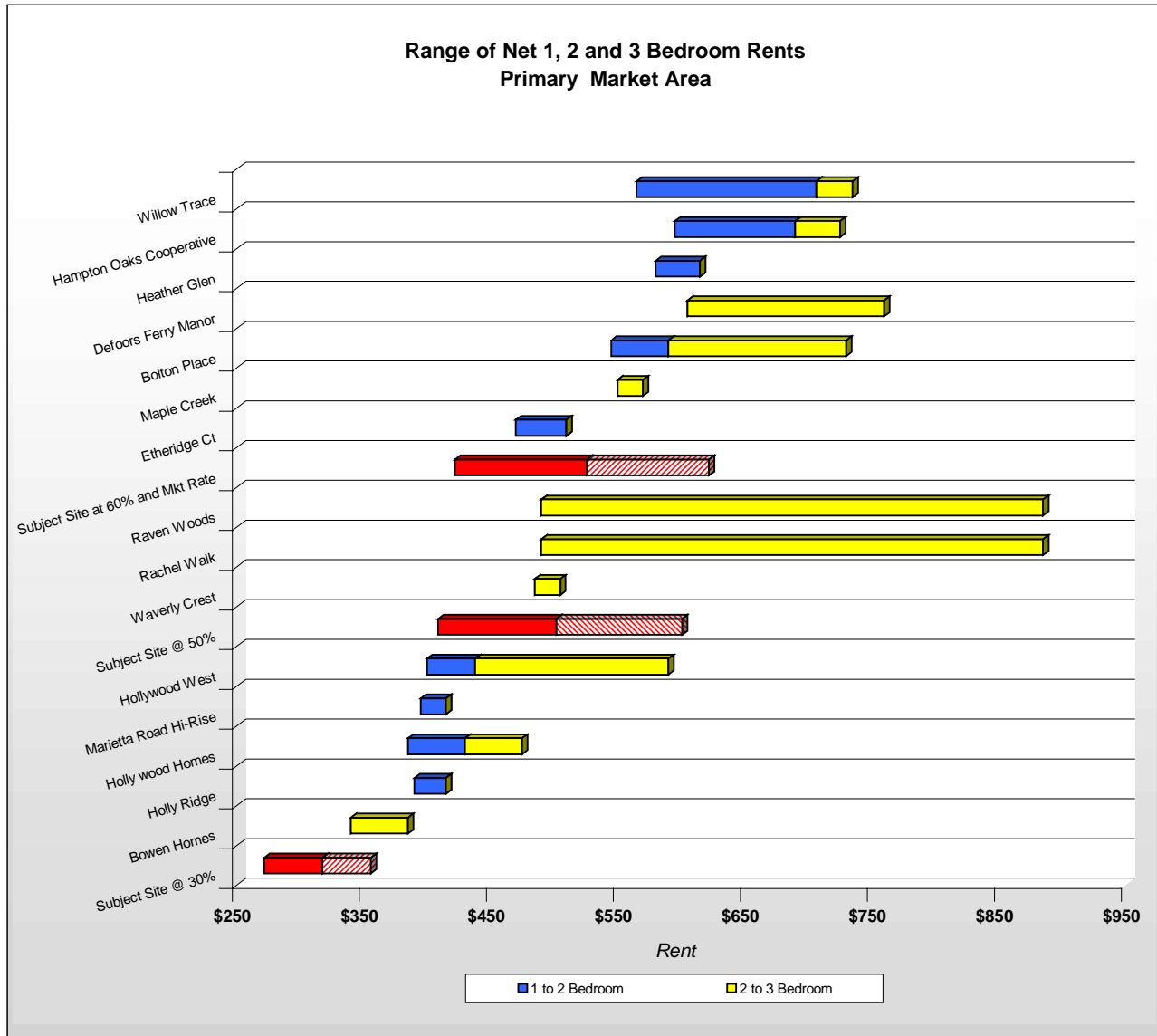
Table 25 - Salient Characteristics, Surveyed Rental Communities

Community	Type	Total Units	(1)				(1)				(1)			
			One Bedroom Units				Two Bedroom Units				Three+ Bedroom Units			
			Units	Rent	SF	Rent/SF	Units	Rent	SF	Rent/SF	Units	Rent	SF	Rent/SF
Willow Trace	Garden&TH	411	40	\$565	686	\$0.82	360	\$707	935	\$0.76	8	\$735	1040	\$0.71
Hampton Oaks Cooperative	Garden&TH	66	2	\$595			12	\$690				\$725		
Heather Glen	Garden	48	24	\$580			24	\$615						
Defoors Ferry Manor	Garden	297					255	\$605	1063	\$0.57	42	\$760	1300	\$0.58
Bolton Place	Garden	358	42	\$545	567	\$0.96	266	\$590	687	\$0.86	40	\$730	947	\$0.77
Maple Creek	Garden	168					168	\$550	850	\$0.65				
Etheridge Ct	Garden	354	32	\$470			296	\$510						
Rachel Walk	Garden	160					143	\$490	700	\$0.70	17	\$885	1500	\$0.59
Hollywood Brooks/Raven Woods	Garden	192					152	\$490			40	\$885		
Waverly Crest	Garden	148					148	\$485	800	\$0.61				
Hollywood Homes	Garden	202		\$385	647	\$0.60		\$430	762	\$0.56		\$475	895	\$0.53
Hollywood West	Garden	80		\$400	640	\$0.63		\$438	761	\$0.58		\$590	954	\$0.62
Bowen Homes	Garden	112						\$340				\$385		
Marietta Road Hi-Rise	High-rise	130		\$395										
Average / Total		2,726		\$492	635	\$0.77		\$534	820	\$0.65		\$686	1,106	\$0.62
Unit Distribution		2,111	140				1,824				147			
% of Total		77%	7%				86%				7%			

(1) Rent is adjusted, net of utilities and incentives

Source: Field Survey, Real Property Research Group, Inc. May, 2002.

Figure 4 - Product Position



As the figure on the preceding page illustrates, one bedroom rents are clustered under \$400 and over \$550. . The 60 percent tax credit and market rate rents at Holly Ridge are priced in the upper-middle of the range of rents within the market area. The 50 percent rents are toward the lower end and the 30 percent units represent the bottom of the market. The proposed rents at Holly Ridge will be competitive with the rents that have been proposed.

B. Proposed Developments

There is one community located within the borders of the primary market area that is currently in the final stages of construction. The Peaks at West Atlanta is in the final stages of construction of its 212 one, two and three bedroom units. This mixed income community will include 43 LIHTC units at 50 percent AMI, 117 LIHTC units at 60 percent AMI, and 54 market rate. The one bedroom units range from \$485 to \$575. the two bedroom units range from \$565 to \$675, and the three bedroom units range from \$655 to \$750. Community amenities include a pool, clubhouse, business center, fitness center, playground, picnic area, individual alarms systems, an access gate, and 16 security cameras. The manager of this community indicated on June 13th that 36 units had been pre-leased by income qualified householders within the first days of pre-leasing. This community is expected to be fully leased prior to Holly Ridge coming on-line, therefore will not be competition. Conversely it is expected that The Peaks will quickly develop a substantial waiting list. It is likely that many of the income qualified renters will be referred to Holly Ridge.

In addition to this community, the only rental activity in the primary market area would be smaller rehabs of existing communities which will not have an impact on Holly Ridge.

IX. Interviews

Information gathered through field and phone interviews was used throughout the various sections of this report. The interviewees included property managers, individuals with the chamber of commerce, Atlanta Housing Authority, and local planning officials. All pertinent information obtained was included in the appropriate section of this report.

X. Conclusions and Recommendations

Proposed Site Location

- The existing rental community is located between Hollywood Road and James Jackson Parkway approximately one half of one mile south of Bolton Road. The site is bordered by an existing rental community to the south, a church and elementary school to the north, Hollywood Road to the east, and the Butler Street YMCA and James Jackson Parkway to the west.
- The existing community is currently only accessible via Hollywood Road. There is an entrance via Jackson Parkway near the Butler Street YMCA that will be opened post renovation. James Jackson Parkway benefits from much more appealing surroundings than does Hollywood Road.
- Hollywood Road is home to several low income rental communities and low income single family homes, while Jackson Parkway is less densely populated and benefits from new construction of both for-sale townhomes and a new rental community just south of the site. The changes to ingress and egress to the property will compliment the building and site renovations to totally revamp Holly Ridge Apartments

Proposed Unit Mix and Rent Schedule

- The proposed unit mix will include one bedroom, two bedroom, and three bedroom units reserved for tenants earning no more than 30 percent, 50 percent and 60 percent of the Area Median Income. There will also be a market rate component price similarly to the 60 percent units.
- One, two and three bedroom units are common in the primary market area's existing stock. The proposed floorplans will appeal to a large range of household sizes from single renters to large families.
- The proposed tax credit rents are position toward the bottom of the range of net rents for the 30 and 50 percent units. The 60 percent tax credit units and the market rate units are priced in the upper middle of the range.

These proposed rents are reasonable and justified given the attractive location and product to be constructed.

Proposed Amenities

- Holly Ridge will include a fully equipped kitchen with a stove, refrigerator, a dishwasher, a garbage disposal, and a pantry. Common area amenities include a community building, two playgrounds, multiple picnic areas, and an exercise room.
- The proposed unit and common area amenities are very competitive with the existing rental stock. The majority of existing communities offer few if any common area amenities.

Demographic Analysis

- According to 2000 Census data, the proposed development is compatible with the demographic composition of the primary market area.
- The marriage rate, persons per household and existence of children in a large percentage of the households in the primary market area indicate the need for larger rental units.

Affordability Analysis

- Based on household income distributions produced by Claritas, 50.5 percent of the households in the primary market area earn less than the maximum income limit for the three bedroom units at 60 percent of the AMI.
- When a minimum income limit is introduced, 30.44 percent earn below the maximum income limit and above the minimum income limit. This minimum income limit will apply to those householders without Section 8 voucher rental assistance.
- Based on the 2004 household estimate of 31,834 for the primary market area, there are 10,165 households with incomes below the maximum income limit and 6,115 of these households also earn more than the minimum income limit.

Demand and Capture Rates

- Using the methodology stipulated by DCA, we find that there will be 3,838 renter households as a result renter households living in substandard conditions, rent over burdened households, and renter household growth between 2002 and 2004.
- By applying the income qualification percentages discussed earlier to this demand number, we calculate that there is demand for 1,595 additional tax credit units addressing the income target market in the primary market area.
- This demand estimate results in a tax credit capture rate of 10.8 percent with a minimum income limit and 6.4 percent without a minimum income limit. Based on the product to be constructed and the proposed location, these capture rates are considered achievable. The capture rate for the 44 market rate units is 2.0 percent.
- These capture rates assume that all units must be lease post renovation, however it is anticipated that no more than 50 percent of the units will become vacant prior to renovations being completed. As a result, the functional capture rates for Holly Ridge are less than half those presented.

Final Conclusion

- As the proposed development is a renovation of an existing apartment community, only the units currently vacant plus those expected to become vacant as a result of the renovation process will need to be leased. The balance of the units will be occupied by current residents of the community. According to information presented by the developer on DCA's Core Application, 197 of the 216 units are currently occupied. It is assumed that no more than 50 percent of the total units will become vacant during the renovation process. This 50 percent is inclusive of those units currently vacant. It is anticipated that Holly Ridge will have to lease no more that 108 of its units post renovation. The community should be able to regain 95 percent occupancy within five to six months.

- The assumption of 50 percent vacant is higher than one would normally make during a renovation process due to the fact that an existing HAP contract at Holly Ridge was recently terminated. The management company expects to evict a large percentage of current residents.
- Based the data presented in this report, we find that Holly Ridge passes the market study test as proposed.

Appendix 1 - Underlying Assumptions and Limiting Conditions

In conducting the analysis, we will make the following assumptions, except as otherwise noted in our report:

1. There are no zoning, building, safety, environmental or other federal, state or local laws, regulations or codes which would prohibit or impair the development, marketing or operation of the subject project in the manner contemplated in our report, and the subject project will be developed, marketed and operated in compliance with all applicable laws, regulations and codes.
2. No material changes will occur in (a) any federal, state or local law, regulation or code (including, without limitation, the Internal Revenue Code) affecting the subject project, or (b) any federal, state or local grant, financing or other program which is to be utilized in connection with the subject project.
3. The local, national and international economies will not deteriorate, and there will be no significant changes in interest rates or in rates of inflation or deflation.
4. The subject project will be served by adequate transportation, utilities and governmental facilities.
5. The subject project will not be subjected to any war, energy crisis, embargo, strike, earthquake, flood, fire or other casualty or act of God.
6. The subject project will be on the market at the time and with the product anticipated in our report, and at the price position specified in our report.
7. The subject project will be developed, marketed and operated in a highly professional manner.
8. No projects will be developed which will be in competition with the subject project, except as set forth in our report.
9. There are no existing judgments nor any pending or threatened litigation which could hinder the development, marketing or operation of the subject project.

The analysis will be subject to the following limiting conditions, except as otherwise noted in our report:

1. The analysis contained in this report necessarily incorporates numerous estimates and assumptions with respect to property performance, general and local business and economic conditions, the absence of material changes in the competitive environment and other matters. Some estimates or assumptions, however, inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by our analysis will vary from our estimates and the variations may be material.
2. Our absorption estimates are based on the assumption that the product recommendations set forth in our report will be followed without material deviation.
3. All estimates of future dollar amounts are based on the current value of the dollar, without any allowance for inflation or deflation.
4. We have no responsibility for considerations requiring expertise in other fields. Such considerations include, but are not limited to, legal matters, environmental matters, architectural matters, geologic considerations, such as soils and seismic stability, and civil, mechanical, electrical, structural and other engineering matters.
5. Information, estimates and opinions contained in or referred to in our report, which we have obtained from sources outside of this office, are assumed to be reliable and have not been independently verified.
6. The conclusions and recommendations in our report are subject to these Underlying Assumptions and Limiting Conditions and to any additional assumptions or conditions set forth in the body of our report.

Appendix 2 - Analyst Certification

I affirm that I, or an individual employed by my company, have made a physical inspection of the market area and that information has been used in the full study of the need and demand for new rental units. To the best of my knowledge, the market can support the demand shown in the study. I understand that any misrepresentation of this statement may result in the denial of further participation in DCA's rental housing programs. I also affirm that I have no interest in the project or relationship with the ownership entity and my compensation is not contingent on this project being funded.



Tad Scepaniak
Regional Director
Real Property Research Group, Inc.

June 21, 2002

Date

Warning: Title 18 U.S.C. 1001, provides in part that whoever knowingly and willfully makes or uses a document containing any false, fictitious, or fraudulent statement or entry, in any manner in the jurisdiction of any department or agency of the United States, shall be fined not more than \$10,000 or imprisoned for not more than five years or both.

Appendix 3 - Resumes

TAD SCEPANIAK

Mr. Scepaniak directs our Atlanta office. He has approximately eight years of experience in the field of residential rental market research. Before joining the firm, Tad was president of MarketQuest, where he was involved extensively in the Low Income Tax Credit program throughout the entire United States. Mr. Scepaniak has completed work in approximately 25 states and Puerto Rico over the past eight years. He also has experience conducting studies under the HUD 221d program, market rate rental properties, and student housing developments. Along with work for developer clients, Tad has led our research efforts for both the North Carolina and Georgia Housing Finance agencies. Mr. Scepaniak is also responsible for development and implementation of many of the firm's automated analytic systems.

Areas of Concentration:

Low Income Tax Credit Rental Housing: Mr. Scepaniak has worked extensively with the Low Income Tax Credit program throughout the United States, with special emphasis on the Southeast and Mid-Atlantic regions.

Senior Housing: Mr. Scepaniak has conducted feasibility analysis for a variety of senior oriented rental housing. The majority of this work has been under the Low Income Tax Credit program, however His experience includes assisted living facilities and market rate senior rental communities.

Market Rate Rental Housing: Mr. Scepaniak has conducted various projects for developers of market rate rental housing. The studies produced for these developers are generally used to determine the rental housing needs of a specific submarket and to obtain financing.

Student Housing: Tad has conducted market analysis of student housing solutions for small to mid-size universities. The analysis includes current rental market conditions, available on-campus housing options, student attitudes, and financial viability of proposed developments. Recent campus studies include Southern Polytechnic University, North Georgia State College and University, and Abraham Baldwin Agricultural College.

Education:

Bachelor of Science – Marketing Research; Berry College – Rome, Georgia.

ROBERT M. LEFENFELD

Mr. Lefenfeld has over 20 years of experience in the field of residential market research. As an officer of research subsidiaries of the accounting firm of Reznick Fedder & Silverman and Legg Mason, he has closely monitored residential markets throughout the Mid-Atlantic United States. Between 1998 and 2001, Bob was Managing Director of RF&S Realty Advisors, conducting market studies throughout the United States on rental and for-sale projects. From 1987 to 1995, Bob served as Senior Vice President of Legg Mason Realty Group, managing the firm's consulting practice and serving as publisher of a Mid-Atlantic residential data service, Housing Market Profiles.

Prior to joining Legg Mason, Bob spent ten years with the Baltimore Metropolitan Council as a housing economist. Bob also served as Research Director for Regency Homes between 1995 and 1998, where he analyzed markets throughout the Eastern United States and evaluated the company's active building operation on an ongoing basis.

Bob has lectured and written extensively on the subject of residential real estate market analysis. He has served as a panel member, speaker, and lecturer at events held by the National Association of Homebuilders and the National Council on Seniors Housing. Recent articles have appeared in ULI's Multifamily Housing Trends magazine and Mid-Atlantic Builder. He is also a founding member of the recently formed Council of Affordable Housing Market Analysts, which is part of the National Housing and Rehabilitation Association.

Areas of Concentration:

Strategic Assessments: Mr. Lefenfeld has conducted numerous corridor analyses throughout the United States to assist building and real estate companies in evaluating development opportunities. Such analyses document demographic, economic, competitive, and proposed development activity by submarket and discuss opportunities for development.

Feasibility Analysis: Mr. Lefenfeld has conducted feasibility studies for various types of residential developments for builders and developers. Subjects of these analyses have included for-sale single family and townhouse developments, age-restricted rental and for-sale developments, large multi-product PUDs, urban renovations, and continuing care facilities for the elderly. In addition, he has conducted feasibility work in conjunction with Hope VI applications for redevelopment of public housing sites and analyses of rental developments for 221(d)4 insurance and tax credit applications.

Information Products: Bob has developed a series of proprietary databases to assist clients in monitoring growth trends. Subjects of these databases have included for-sale housing, pipeline information, and rental communities. Information compiled is committed to a Geographic Information System (GIS), allowing the comprehensive integration of data.

Education:

Masters of Urban and Regional Planning; The George Washington University.
Bachelor of Arts, Political Science; Northeastern University.

Appendix 4 - Community Photos and Profiles